

PEOPLE  
Betty's Billion  
The Global Newspaper  
Printed Simultaneously  
in Paris, London, Zurich,  
Hong Kong, Singapore,  
The Hague and Marseille  
WEATHER DATA APPEAR ON PAGE 10  
No. 31,814  
ZURICH, TUESDAY, JUNE 4, 1985  
ESTABLISHED 1887

The Global Newspaper  
Printed Simultaneously  
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Hong Kong, Singapore,  
The Hague and Marseille

# Herald Tribune

Published With The New York Times and The Washington Post

ZURICH, TUESDAY, JUNE 4, 1985

University of Jordan  
Center of Strategic Studies  
READING ROOM  
Agencies: 4,000 Dn. Israel, 15,100 Norway, 7,500 N.Y.  
Austria, 300 P. Japan, 1900 U.S. China, 0,700 Bk.  
Belgium, 400 P. Korea, 400 P. Portugal, 90 Ec.  
Canada, 450 P. Spain, 16,000 Chile, 4,500 Bk.  
Czechoslovakia, 2,500 P. Kuwait, 500 P.  
Denmark, 400 P. Luxembourg, 450 P.  
France, 4,000 P. Monaco, 100 P.  
Germany, 2,500 P. N. Korea, 35 P.  
Greece, 2,500 P. N. Korea, 35 P.  
Great Britain, 2,500 P. N. Korea, 35 P.  
Ireland, 400 P. N. Korea, 35 P.  
Italy, 1,100 P. N. Korea, 35 P.

## Israel Reacts With Ambiguity To Negotiation Bid by Hussein

**TEL AVIV** — Israel has reacted in two voices to the peace move made by King Hussein through Washington last week. Details of the Jordanian king's proposals were conveyed to the Israeli cabinet on Sunday in a letter from Secretary of State George C. Shultz to Prime Minister Shimon Peres. Similar letters went to all NATO governments, which the United States hoped would provide the international umbrella for negotiations requested by the Jordanians. [Mr. Shultz told Israel that Hussein was "willing to commit himself immediately to direct talks with Israel." The Associated Press in Jerusalem quoted the newspaper Haaretz, in the paper's Monday edition. A Hebrew translation of Mr. Shultz's message, as published in Haaretz, said Hussein's position and the support he was receiving from the Palestine Liberation Organization was "a signal of a significant change in the political environment." [A senior Israeli official, speak-

ing on condition that he not be identified, confirmed that the published text was accurate but incomplete. He refused to disclose unpublished parts of the message.] Moderates in the cabinet were encouraged by the king's expression of readiness for direct talks before the end of this year between Israel and a joint Jordanian-Palestinian delegation on the basis of Security Council resolutions that implicitly recognize Israel. They also approved the king's statement that he was thinking in terms of Israeli-occupied territories going to a Jordanian-Palestinian confederation rather than to constitute a separate Palestinian state between Israel and Jordan. Liked hard-liners voiced alarm over Mr. Shultz's expressed inclination to favor talks between U.S. officials and a Jordanian-Palestinian delegation before they open negotiations with Israel. Deputy Prime Minister David Levi said the proposed talks "behind Israel's back" were designed to accord de facto recognition to the PLO. The hard-liners attacked Mr.

Shultz's statement Friday that members of the Palestine National Council, the Palestinian equivalent of a parliament in exile, could be considered non-PLO for inclusion in the Palestinian delegation not-withstanding the American pledge not to hold discussions with the PLO until it recognizes Israel's right to exist. Deputy Prime Minister Yitzhak Shamir described the Palestine National Council as the "brain and soul of the PLO." [Defense Minister Yitzhak Rabin, interviewed Monday on an American television news program, rejected any participation by Palestinians linked to the PLO. The Associated Press reported. "We wouldn't mind if Jordan will bring Palestinians, leaders of those who reside in the West Bank or the Gaza Strip and others, as long as they are not PLO members," Mr. Rabin said. [Mr. Rabin also repeated his call for direct talks with the Arabs, without U.S. participation. "For the time being, all the talks are about meeting between a Jordanian-Palestinian delegation with the United States," Mr. Rabin said. "To the best of my knowledge, the United States and Jordan are not at war. If there is a need to bring about peace, let the Jordanians talk directly to us, the President Sadat did, about peace."]

At the Israeli cabinet meeting, several Likud ministers called for an immediate and vigorous denunciation of the proposal. The prime minister stopped short of that in drafting a communiqué after the meeting. Well-placed sources in Jerusalem confirmed Sunday that Mr. Peres had told Mr. Shultz during his last visit to Jerusalem that Israel would not blacklist Palestine National Council members who renounce the PLO charter and its call for the destruction of Israel. The communiqué issued after the meeting was ambiguous on the issue, stating, "The government of Israel rejects the participation in the peace negotiations of PLO people and anyone who advocates the destruction of Israel." It thus left the question of the participation of PNC members open. Nor did the communiqué specifically oppose the planned preliminary talks. It said, "The prime minister made it clear that Israel would welcome any progress toward peace and believes the way to do this is through negotiations that will begin and continue directly between Israel and a Jordanian or a Jordanian-Palestinian delegation."

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## Socialists Win Solid Victory In Greek Vote

**ATHENS** — Prime Minister Andreas Papandreu, whose Panhellenic Socialist Movement won a convincing victory in Sunday's parliamentary elections, announced Monday that he will form a 20-member temporary cabinet. The cabinet is to be sworn in before President Christos Sartzetakis on Wednesday and will remain in office until the new parliament meets. Returns from 14,650 of 14,738 polling stations showed that Mr. Papandreu's party gained 45.82 percent of the vote and 161 seats in the 300-member, single-chamber parliament. The conservative New Democracy Party of Constantine Mitsotakis won 125 seats with 40.84 percent of the vote. The pro-Moscow Communist Party won 13 seats with 9.89 percent and the small Euro-communists obtained one seat with 1.84 percent. The Socialist victory was marred by the loss of 13 seats and their share of the vote was reduced by 2.25 percent from the 1981 voting. The conservatives increased their share by 4.97 percent, gaining 12 seats.

Mr. Papandreu, 66, said Monday, "I believe this vote is a triumph." "It's a great defeat for the reactionary forces, whether they're Greek or foreign," he continued. "The Greek people don't expect anything from anyone." In Washington, Larry Speakes, the White House spokesman, said that President Ronald Reagan was sending congratulations to Mr. Papandreu and expressed hope for improved relations with Athens. Despite Mr. Papandreu's vow to close four U.S. bases, the spokesman said that the United States expected to discuss the issue with the Socialist government in hopes of maintaining U.S. forces in Greece. Turgut Ozal, the prime minister of Turkey, a fellow member of the North Atlantic Treaty Organization, reacted coolly to the Greek Socialist's re-election. "If Papandreu shows the same attitude against Turkey, he gets what he deserves," Mr. Ozal said Monday. "Then we will also treat him differently and we will not offer him an olive branch."

## Thatcher Bill Would Outlaw Alcohol at Soccer Stadiums

**LONDON** — Prime Minister Margaret Thatcher announced emergency legislation Monday to curb soccer violence, and pledged her support in bringing to justice those who were involved in the stadium riot in Brussels last week in which 38 persons died. In a statement in the House of Commons, Mrs. Thatcher proposed a ban on alcohol at soccer stadiums and on buses carrying supporters, and said she hoped the measure would go into effect before next year's professional soccer season starts in the fall. The legislation also calls for a ban on containers that can be used as missiles. Mrs. Thatcher said that she agreed with the indefinite ban on English club competition in Europe, imposed Sunday by the Union of European Football Associations, which has 34 member nations, met Sunday in Bern, and the group's president, Jacques Georges, announced the decision to ban English teams from European competition. The soccer union did not take specific action against the Liverpool club and delayed a vote on whether to ban the English national team from the European soccer championship. The ban does not

apply to teams from Scotland, Wales or Northern Ireland. Mr. Georges said the committee had based its decision on a preliminary report. "We believe it to be right," Mrs. Thatcher said. "Radical change is needed if football is to survive as a spectator sport." The 38 persons were killed and were 454 injured last Wednesday when Liverpool fans charged into a section of a Brussels stadium where supporters of Juventus of Turin were sitting. A wall collapsed, crushing many to death. Others were trampled in the panic that followed. Thirty-one of the victims were Italian. Britain's attorney general, Sir Michael Havers, said Sunday that British supporters identified from photographs or video recordings as having participated in the riot could be extradited for trial in Belgium or Italy. The Union of European Football Associations, which has 34 member nations, met Sunday in Bern, and the group's president, Jacques Georges, announced the decision to ban English teams from European competition. The soccer union did not take specific action against the Liverpool club and delayed a vote on whether to ban the English national team from the European soccer championship. The ban does not

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## As Cease-Fire Crumbles, Syria Sets Beirut Move

**BEIRUT** — With Israel planning to complete its withdrawal from Lebanon this week, Syrian troops are reported to be preparing to move into Beirut to stop the chaotic fighting that has raged for two weeks. Three people were killed in grenade attacks Monday and 25 others, including a French peace observer, were wounded as fighting flared again in the embattled refugee camps and on the Green Line dividing the city into Moslem and Christian sectors. The cease-fire between Palestinian and Shiite Moslem forces that was declared Friday appeared to be crumbling. The police Monday that two people died and 19 were wounded in overnight clashes in and around West Beirut's Chatila refugee camp and the suburban Borge Barajni camp. They said that one person was killed and five were wounded in skirmishes along the Green Line. Colonel Antoine Devisier, commander of the 57-member French intervention team in Beirut, said that Sergeant Major Jean-Louis Kohler was wounded in the foot by a bullet at the unit's headquarters on the Green Line. Since the Shiite militia Amal attacked the Palestinian refugee camps of Sabra, Chatila and Borge Barajni on May 19, more than 500 people have died and more than 2,000 have been wounded in the fighting. Prime Minister Shimon Peres of Israel said Sunday that Israel would complete its withdrawal from Lebanon by Thursday, the third anniversary of the Israeli invasion that was intended to crush the Palestine Liberation Organization.

On Monday, Israeli troops raided a Shiite Moslem village in southern Lebanon, blew up three houses and seized 40 men, a United Nations spokesman, Timur Gökseel, said. The crackdown on Majdal Salim was the first major raid by the Israelis since late April, when they completed the second stage of their three-phase pullback from Lebanon. Elsewhere, the Christian commander of Lebanon's main air

force base was assassinated and his son was seriously wounded by gunmen in a car in eastern Lebanon on Sunday. The killers of Colonel Sleiman Daoud Mazloum, commander of the air base at Riyah, in the Bekaa Valley, sped away after the attack. The reason for the assault in the eastern village of Abilah was not known. In Baalbek, Lebanese sources close to Syrian intelligence officials said Sunday that Syrian Army troops were grouping in two remote bases to move to Beirut's eastern outskirts under a joint Lebanese-Syrian security plan. Authoritative sources said the Syrians and the Lebanese units would form a peacekeeping force to oversee President Amin Gemayel's plan for disengaging the warring factions in Beirut. One Lebanese source said the move could come "in a week to 10 days," once the Israeli withdrawal is complete. Syria sent troops into Beirut in 1976 under an Arab League mandate to quell the Lebanese civil war.

## Americans, Tired of Computers, Grab for Video

**CHICAGO** — The International Summer Consumer Electronics Show has opened amid a flurry of new evidence that U.S. consumers cannot buy video cassette recorders and compact disk players fast enough but can no longer find much use for home computers. The magnitude of the change, a complete reversal from two years ago, was evident in figures released Sunday by the Electronic Industries Association, which sponsors the semiannual display of gadgetry. The trade group increased its sales projections for video recorders by more than 20 percent, estimating that consumers would buy 11.5 million machines this year. It also predicted that, with prices dropping sharply, 600,000 compact disk players would be sold this year, about three times the number sold since the laser-driven systems were introduced two years ago. The group projected that home computer sales would decline 10 percent from last year's levels, to 4.5 million units — a figure many regard as highly optimistic. It predicted that software sales would be cut in half, with factory sales dropping to \$675 million from a previous estimate of \$1.2 billion. But the shift was even more pronounced on the floor of McCormick Center, the convention center on edge of Lake Michigan. Retailers and manufacturers crowded around the Technics booth, for example, to catch a glimpse of the smallest compact disk player yet — a Walkman-sized model that will sell for \$300 when it comes on the market this summer. "Our biggest problem is going to be figuring out a way to make them fast enough," said Rick DeGandia, product manager for Technics, a unit of Matsushita Electric Sales Co. of Japan. A quarter of a mile away, however, in the separate home computer hall that an industry executive called "the leper colony," there were relatively few people viewing the new machines and software. "Last year this whole building was filled," said Robert Botch, director of marketing for Epyx, one of the few surviving computer game software companies. "Now there's all kind of space, and the bottom floor is half filled with the people who make X-rated movies." Some industry experts say, in retrospect, that the sudden shift in consumer tastes should have been expected. While the computer industry struggled to find uses for home machines beyond playing games, makers of video recorders and compact disks had no difficulties explaining the advantages of their systems.

Just beneath the surface, though, there is evidence that not every maker of video recorders is enjoying the boom. A year ago, the three makers of Beta systems — the first video-recorder taping format, since superseded by an incompatible system called VHS — said they were unconcerned that only 25 percent of video-recorder buyers were purchasing their systems. They insisted that they would never abandon the Beta technology. At this show, however, Beta seemed doomed. Sony Corp., the leading Beta maker, last week introduced its first eight-millimeter system. Industry experts said the move was both an effort to break into a new market for lightweight, portable video cameras and recorders, and to boost dwindling video-recorder sales. Sony officials have insisted, though, that they would continue to market Beta machines. There has been no such promise from Toshiba Corp., which two months ago threw in the towel and introduced its first VHS models. "It was not a decision easily reached," said J. Paul Michie, executive vice president of Toshiba America Inc., a unit of the Japanese company. But Beta lost popularity in Europe last year, he noted, and "there were whole markets in the U.S. where we were preempted; it's unfortunate, but the best system lost."

Relations between Turkey and Greece have been strained for years over territorial disputes in the Aegean and the fate of Greek and Turkish-speaking populations on Cyprus. ■ A Solid Victory Henry Kahn of The New York Times reported from Athens: Even with a reduced margin, Mr. Papandreu's showing was interpreted as a solid victory. New Democracy had counted on a vigorous campaign by Mr. Mitsotakis, and disillusionment with 43 months of socialism to bring about a conservative victory. But political analysts interpreted the results more as a rejection of a return to the right-of-center politics that dominated Greece for 35 years after World War II than as an expression of faith in Mr. Papandreu's version of socialism. Political analysts termed this year's election campaign the hardest fought since democracy was re-

stored after the fall of the military dictatorship in 1974. The 66-year-old prime minister and the challengers held daily and nightly rallies throughout the cities, towns and islands of this nation of 10 million people. Mr. Papandreu pledged far-reaching programs of social welfare — higher minimum wages and pensions, expanded public health services, wider access to higher education and improvements in rural life in this largely agricultural country. Mr. Mitsotakis warned of state encroachment in all phases of life and promised that his party would set free creative and productive capital stifled by socialism. The New Democracy leader also promised to remove the import duties that make cars about twice as expensive in Greece as in the rest of the European Community. Greece's role in the Atlantic alliance and its membership in the European Economic Community were expected to be prominent issues at the outset of the campaign but were nearly ignored. Mr. Papandreu, who in his victorious 1981 campaign emphasized Greek independence from the West, particularly the United States, limited declarations on foreign affairs this time to stern condemnations of Turkey. In an interview, he said voters found foreign issues "irresolute." Mr. Papandreu campaigned in 1981 on what were generally interpreted as pledges to withdraw Greece from NATO and the EC, as well as to close four major U.S. military bases. Since then, the prime minister has denied that he committed himself to withdrawal, and he has set no deadline for closing the bases. The events that brought on the early elections played only a minor role in the campaign. In March, Mr. Papandreu suddenly dropped his expected support for a second term for President Constantine Caramanlis. Mr. Caramanlis angrily resigned, and the Socialists pressed through Parliament the election of their candidate, Christos Sartzetakis, and moved for constitutional amendments to limit the president's power to stay any government's hand. Papandreu then called elections. ■ An employee of a U.S. military contractor was implicated in a spy ring. Page 5. ■ Philippine officers launched a movement to improve morale and halt abuses. Page 6. ■ Three Solidarity dissidents on trial in Poland asserted that the judge is biased. Page 7. ■ Sri Lanka and India agreed on the need for a political settlement to the ethnic conflicts in Sri Lanka. Page 8. BUSINESS/FINANCE ■ Europe's auto industry move into international markets to win economies of scale. Page 11. ■ With oil prices in disarray, OPEC advanced the date for its next full ministerial meeting to June 30 from July 22. Page 11.

## As Weinberger's Power Wanes, Regan Emerges as the Dominant White House Aide

### After Strains, Ex-Treasury Chief Takes Charge

**WASHINGTON** — When Donald T. Regan, the White House chief of staff, sat down alone with President Ronald Reagan on May 13 to make final decisions on the administration's tax-simplification plan, it was clear evidence that he had become the strongman on the White House staff. Mr. Regan's assumption of power has not been without its missteps. Along the way, the former secretary of the Treasury and longtime head of a Wall Street brokerage firm had to learn some of the lessons learned by his predecessors. He acknowledged in an interview last week that he was "still on a learning curve." There is widespread agreement that Mr. Regan, after a shaky period, has put a distinctive stamp on White House operations. "Regan boarded a flying airplane, and it took him a while to find the controls," a White House official commented. "But he is clearly the pilot now." What remains unanswered at this early stage is whether he has not just the strength but the skills to guide President Reagan successfully through a potentially perilous second term. Mr. Regan has been at work four months, but his power has been asserted most clearly since mid-May. One reason is that the first part of Mr. Regan's tenure was dominated in large part by controversy over the president's visit to the Bitburg military cemetery in West Germany,

where 49 Nazi Waffen SS members are among the dead. Another reason is the departure of the former deputy chief of staff, Michael K. Deaver. Since Mr. Deaver's resignation, Mr. Regan has taken control of White House scheduling operations and he makes a point of reviewing drafts of the president's speeches. Finally, the tax plan that the president sent to Congress last week originated last fall in Mr. Regan's Treasury Department. And, as White House chief of staff, Mr. Regan was instrumental in shaping the final proposal. His advocacy of a provision that would allow companies to take a 10 percent deduction for dividends prevailed over Treasury opposition. Mr. Regan admires say that he has brought a streamlined corporate-management style to a White House frequently marked by high-level feuding during President Reagan's first term. His critics complain that he lacks the deft political touch of his predecessor as Treasury secretary, James A. Baker 3d, and that he does not delegate responsibility adequately. They also say sniping continues between Mr. Regan and both the communications director, Patrick J. Buchanan, and the national security affairs adviser, Robert C. McFarlane. But Mr. Regan, 66, has shown the ability to learn from his mistakes. "You get isolated in the White House," said Stuart K. Spencer, a longtime Reagan political adviser initially skeptical about the new White House team but impressed with its recent performance. "But Regan and the

others are listening. They're very open, which is good. This is not a closed shop." Without announcing a change of policy, Mr. Regan appears to have muted the confrontational approach with Congress and administration adversaries that he and Mr. Buchanan were celebrating only a few weeks ago.

Mr. Buchanan also has changed his approach. For several weeks he declined to talk to reporters, a practice he now calls "unrealistic." Still, the new team has yet to acquire the skill of its predecessor in orchestrating "media events." (Continued on Page 2, Col. 4)

Spending Scandals Hurt Defense Chief's Credibility

**WASHINGTON** — Five years into the biggest peacetime military buildup in history, Defense Secretary Caspar W. Weinberger and his defense budget appear to have worn out their welcome in Congress. Interviews with legislators across the political spectrum show that Mr. Weinberger has lost credibility and clout this year, and suggest that President Ronald Reagan's military spending wave has crested. Two Democratic senators, David H. Pryor of Arkansas and Lawton Chiles of Florida, said that if they were advisers to Mr. Regan, they would recommend that Mr. Weinberger resign, so the Defense Department could regain credibility. Other senators said the same thing privately but asked not to be quoted by name. Some Republican congressional leaders are said to share the view that Mr. Weinberger has been too intransigent on the military budget and too tardy in spotlighting wasteful spending at the Pentagon. Senator John H. Chafee, a Republican of Rhode Island who is a former secretary of the Navy, praised Mr. Weinberger for raising the money to buy ships, army tanks and to raise military pay but criticized him for giving "incredible leeway to the individual service secretaries to proceed with any kind of development they want, without realizing the cost." "He clearly hasn't recognized the changing

winds and said, 'Let's move together.' He's taken a very hard line," Mr. Chafee said. Other critics of Mr. Weinberger by senators on committees that oversee the Pentagon were that he has developed no strategy to go with the money he has raised, has overstated the Soviet threat, has failed to build the infrastructure needed to spend military money wisely and has padded the Pentagon's budget. Mr. Weinberger, in an interview, said he has no intention of quitting because he has "a lot more to do." He brushed aside criticism, saying: "It's like being a judge in a beauty contest. The longer you do it, the more people you disappoint." But as the Senate prepared Monday to resume debate on the military authorization bill, it is clear that attitudes about the Pentagon budget and its chief advocate have changed sharply. Mr. Pryor is a moderate Democrat from a state that traditionally has favored increases in military spending. The factor that recently has most strongly influenced both him and Senator Barry Goldwater of Arizona, the conservative Republican chairman of the Senate Armed Services Committee who is a supporter of Mr. Weinberger, were constituents' complaints about waste and abuse in military contracting. The two have joined forces with other politicians to restructure the military buildup. On Monday, Mr. Goldwater was managing the military authorization bill for fiscal 1986 that was being considered in the Senate. This bill calls for limiting the Pentagon's budget (Continued on Page 2, Col. 2)



Donald T. Regan



Caspar W. Weinberger



## WORLD BRIEFS

line was thrown early Sunday at the Cambridge Studies Institute in Milan. It missed the building, police said. Tires were slashed on a car with British license plates in Genoa.

■ **EC Steps on Violence**

European sports ministers will adopt measures against football violence at a special meeting in September, the Council of Europe said Monday in Brussels.

Reuters quoted council sources as saying the ministers are likely to endorse a ban on sales of alcohol around football stadiums and faster legal procedures for dealing with rowdy supporters.

They may also call for restricted ticket sales and improved safety standards.

The officials said the 21-nation council's Committee for the Development of Sports would complete the measures later this month for ministers to adopt for the 1985-86 season.



**MARCH IN MANHATTAN** — Striking hotel workers march past New York's Sheraton Centre hotel in midtown Manhattan. At least 45 of New York's biggest hotels have been strikebound since Saturday. Employees want more pay and benefits; management wants to hire new workers for less. Talks were scheduled to resume.

## U.K. May End Pensions Tied to Salary

## U.K. May End Pensions Tied to Salary

**LONDON (AP)** — The Conservative government of Prime Minister Margaret Thatcher, declaring that Britain's costly welfare system has "lost its way," announced on Monday a proposed shake-up that would phase out earnings-related state pensions.

A government Green Paper proposed the phase-out of the earnings-related pension plan, which now provides pensions of about half of average earnings to 12 million of Britain's 56 million people. The plan means many Britons draw more than double the basic state pension of about \$46 a week for single people.

Newspapers estimated the savings would amount to \$1.3 billion of the \$52 billion that social security now costs Britain annually. Social security consumes nearly one-third of the national budget and is a prime reason why Mrs. Thatcher pledges to cut state spending and reduce taxes remain unfulfilled. She has warned that a combination of Britain's aging population and declining North Sea oil revenues will make the cost of the program "horrendous" by the end of the century.

## Pretoria Completes Troop Withdrawal

**PRETORIA** (Reuters) — South Africa said Monday that it had recently completed the withdrawal of its last troops from Angola but gave a veiled warning that it would not hesitate to move them back if necessary.

The statement was issued after a meeting between Foreign Minister R.F. Botha and the U.S. ambassador, Herman Nickel. Mr. Botha told Mr. Nickel that if Luanda allowed a return to the situation in 1978, when guerrillas fighting against South Africa were allowed bases close to the border with South-West Africa, or Namibia, "South African forces would have no alternative but to take appropriate action to ensure the security of the territory and its people."

## Afghan Guerrillas Abandon Valley

ISLAMABAD, Pakistan (AP) — Afghan guerrillas have been driven out of a strategic Kunar Valley near the Pakistan border, whose lower half now is under control of advancing Soviet infantry that is heavily supported by armor and warplanes, insurgent sources said Monday.

Guerrilla officials, speaking on condition of anonymity, said that all major insurgent groups had withdrawn from the valley after more than a week of heavy air and ground attacks.

"All the major Mujahidin groups have gone now," one official said. "The Russians are taking over the valley." The guerrillas are reportedly armed with rifles and some automatic weapons, a sprinkling of heavy weapons and a few portable anti-aircraft missiles.

## Costa Rica Limits Links to Nicaragua

**MANAGUA (WP)** — President Luis Alberto Monge of Costa Rica said that his government will cut back diplomatic relations with Nicaragua to a bare minimum following what he called a "premeditated attack" by Sandinist soldiers on Costa Rican territory last week during which at least one Costa Rican Civil Guardsman was killed.

But Defense Minister Humberto Ortega Saavedra of Nicaragua denied Mr. Monge's charges Sunday, insisting that he has proof that the Costa Ricans were ambushed by Nicaraguan rebels trying to provoke a diplomatic incident between the two countries.

## For the Record

A verdict in the Norwegian spy trial of a former diplomat, Arne Trebb, will be announced in Oslo on June 20, the chief judge said Monday. Only a portion of the verdict is to be read in open court. (AP)

Police in Belgium have arrested five persons suspected of involvement in a May 1 car-bomb attack that killed two firefighters and injured 13 other persons, Interior Ministry sources said Monday. The attack was linked to the clandestine Fighting Communist Cells. (Reuters)

Pennsylvania was declared a major disaster area by President Ronald Reagan Monday as a result of the severe storms and tornadoes in the state. Friday night, the White House announced Monday. The declaration will permit the use of federal funds for relief. A similar declaration is expected for Ohio. (AP)

Robert Latta, a meter reader accused of slipping into the White House during President Ronald Reagan's inauguration ceremonies in January, pleaded guilty Monday in Washington to unlawful entry and was placed on one-year supervised probation. Mr. Latta, 45, will serve the sentence in Denver. (AP)

Ground workers for Alaska Airlines voted Sunday in Seattle to end their three-month strike, agreeing to a contract they had overwhelmingly rejected last month. (AP)

## Spending Scandals Hurt Weinberger's Credibility in Congress

(Continued from Page 1)

growth to only 1.5 percent, to cover inflation, instead of the 6 percent adjustment increase that Mr. Reagan had sought.

"It has begun to stick up here," Mr. Pryor said, pointing to his head. Mr. Weinberger "never did meet a weapon he didn't like. He has suffered so many body blows — the coffee pot, the toilet seat, Allen wrenches, the claw hammer, all this stuff," Mr. Pryor said, "that he's suffered severely." Mr. Pryor was referring to reports of extremely high unit prices charged by military contractors for these items.

"He should have called somebody in long ago to deal with all these problems and said, 'You've got it.' Then call everybody in and read them the riot act and tell them the guy you're going to be dealing

Congress to reduce the military buildup. Others are:

- The menacing cloud of growing federal deficits.
- The growing realization that so much military money has been appropriated but not spent that the Pentagon budget would grow by at least 3 percent for the rest of the decade even if it received only enough additional money to offset inflation.

## 900 Romanians Awaited by Bonn

**Berlin** — West Germany is expecting 900 Romanian refugees to enter the country through West Berlin in the coming months, the city authorities said Monday.

A group of about 30 Romanians entered West Berlin last week by threatening a sit-down strike at the border with East Berlin if they were not admitted, a West Berlin Senate spokesman said. The Romanians, who said they were political refugees, had been allowed to leave their country and fly to East Berlin, the Senate spokesman said.

He said that West German Interior Minister Hans Dietrich Genscher is offering up to 900 more Romanians to reach the West through the city, where there are no border controls for incoming visitors from East Germany.

• The "fairness issue," or the conviction that the Pentagon must take a larger share of the cuts in government programs.

Mr. Weinberger has tried but failed to extinguish the criticism.

Last week, when it was revealed that the government was paying Grumman Aerospace Corp. \$659 million a year for the Navy's A-6E, Mr. Weinberger's critics proved the transfer of three top navy officers.

Two of the officers protested publicly that they had assumed their posts after the purchases and decried their treatment. Navy officials have said the officers could be reinstated after an investigation.

"He's been a strong and successful advocate," Mr. Pryor said. "Weinberger can sell, but he doesn't inquire. So, he's not a

## After Shaky Start, Regan Takes Firm Control

(Continued from Page 1)

events" to create a single, definite impression of presidential activity and purpose. Mr. Baker and Mr. Deaver tried, often successfully, to focus coverage on a single event that would advance the White House "theme of the day."

In the second-term White House there often are many events and many themes. On Memorial Day last week, for instance, an official said

the White House team expected that reporters would emphasize Mr. Reagan's wreath-laying ceremony at Arlington National Cemetery.

terly because "so much was made of the visit to Bitburg."

Instead, much of the news coverage focused on a remark Mr. Reagan made in Miami, where he accused the Democrats of "segmenting America into warring factions—over the years pitting white against black, women against men, young against old."

Mr. Reagan and Mr. Buchanan say they hope to limit the number of major issues they take on at any one time.

"I think anyone, not just Reagan, is better off when he's focused on one thing at a time instead of trying to do several major things,"

Mr. Reagan said last week. "I think that one major theme should be struck at one time."

Although conflicts in the current White House do not approach the dimensions of the battles between Mr. Baker and Edwin Meese 30 years ago, the current administration's new attorney general, in the first term and later between Mr. Baker and William F. Clark, then the national security affairs adviser, several officials say that relations between Mr. Reagan and Mr. McFarlane are cool.

"Regan wants to be prime minister, and McFarlane sees himself as the guardian of the national security portfolio," a administration official remarked.

**Police in Belgium** have arrested a man in a May 1 car-bomb attack that killed other persons, Interior Ministry linked to the clandestine Fighting Pennsylvanians was declared a man Reagan on Monday as a result of state Friday night, the White House will permit the use of federal law expected for Ohio.

**Robert Lafta**, a motel reader not during President Ronald Reagan's pleaded guilty Monday in Washington on one-year supervised probation. Denver.


**Ground workers for Alaska Airlines** three-month strike, agreeing to rejected last month.

five persons suspected of involvement in the killing of two firefighters and injured 13 sources said Monday. The attackers were Communist Cells. (Reuters)

A major disaster area by President Ronald Reagan's severe storms and tornadoes in the state announced Monday. The declaration was for relief. A similar declaration is (AP)

accused of slipping into the White House inauguration ceremonies in January. The intruder to unlawful entry and was placed in Mr. Latta, 45, will serve the sentence in (AP)

names voted Sunday in Seattle to end their a contract they had overwhelmingly (AP)

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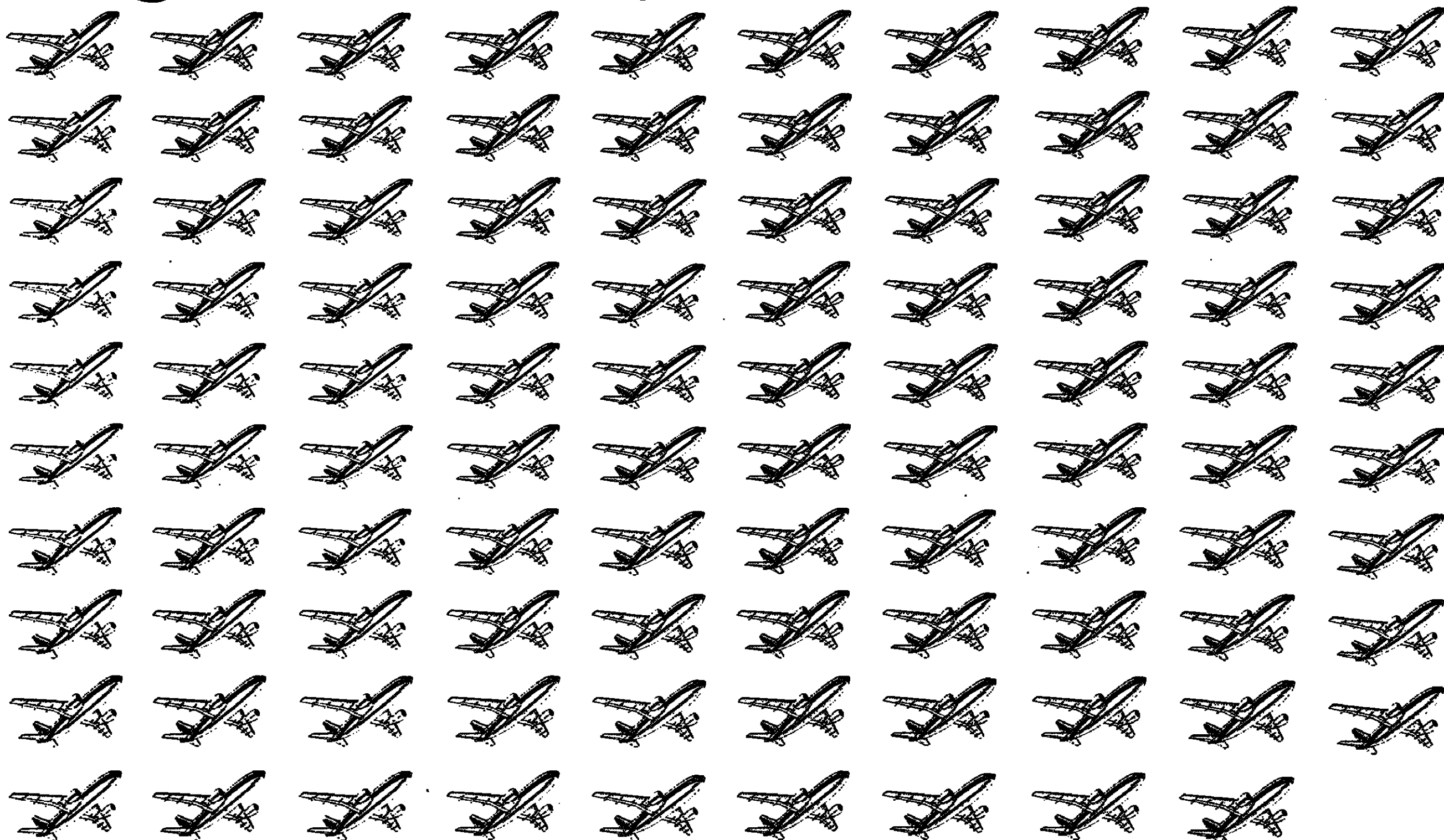
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**Ground workers for Alaska Airlines** end three-month strike, agreeing to rejected last month.

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a contract they had overwhelmingly  
(AP)

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# Herald Tribune

Published With The New York Times and The Washington Post

## Three Soviet Prisoners

This is how it goes for three Soviet dissident scientists, all political prisoners:

Andrei Sakharov may have gone on another hunger strike this spring, perhaps for five days, for the same reason that he has in his earlier strikes: to make the Soviet authorities choose between letting him extremely sick wife seek medical care in the West and taking responsibility for his death. By one account he was force-fed at a hospital and has since returned to his home in internal exile — in illegal exile, according to Soviet law, such as it is, since he was never tried and sentenced and has now been exiled longer than the longest allowable term. The most recent news received by relatives in the United States came in a postcard signed by his wife. Professional analysis showed it was a forgery, which raises the disturbing possibility that the routine and reassuring news it contained was transmitted on the assumption that the Sakharovs might not be in a position to tell the truth.

Yuri Orlov continues to live in appalling conditions in the remote Siberian village to which he was exiled after completing a harrowing seven-year prison term for "slander" — he had been working to hold the Soviet Union to the international human rights commitments it formally undertook in the Helsinki accords. The Kalkasque prospect, now looms that his wife, Irina, who lives in Moscow, will be tried

for "slander" — for doing what she can to maintain lines to her husband and to those concerned about him. To avoid going to jail she may have to ask to emigrate, in which case she would be cutting the lines.

Anatoli Shcharansky, a scientist and dissident and also a Jew, is in the ninth year of a term in a Ural labor camp, having been put away on a palpably phony spy charge. A period of relatively good treatment in the camp was followed by renewed isolation and severity, the effect if not the intent being to demonstrate the government's continuing indifference to humane international opinion.

The three men are, of course, merely among the most familiar in the West of the many hapless individuals on whom the Kremlin is practicing its characteristic Stalinist abuse. The Western information network can keep track of only a relatively few victims at a time. You would think that the Soviet authorities, realizing this fact, would exploit it by allowing these conspicuous names to leave the country. The point would be not so much to end their misery as to reap political credit. This would be a cynical policy, but one making political sense, especially in a period when a new Soviet leader is taking certain strides toward a refurbished relationship with the United States. How will Mikhail Gorbachev play it?

—THE WASHINGTON POST.

## Positive but Improvable

When first elected, President Reagan proclaimed that the power to tax "must not be used to regulate the economy or bring about social change." Four years wiser, he now proclaims a tax program to achieve nothing less than "the second American Revolution." Such hyperbole aside, his proposals point toward significant progress in tax policy. Since its social goals are now acknowledged, the nation can clearly debate what they should be.

Mr. Reagan's premises and commitment are admirable. As many have long argued, the tax code has become unfair, complex and a drag on economic growth. The president's remedies head in the right direction. But he is wrong to put tax rate reduction ahead of fairness, and he strays too far from the goal of taxing all forms of income in essentially the same way.

The best feature of Mr. Reagan's plan, and surely its main purpose, is its sizable reduction in tax rates, both personal and corporate. That alone could remove many distortions from economic life and get people back to reckoning in real rather than tax dollars.

Also admirable is the extent to which the president would strip away deductions, exemptions, credits and other fancy gimmicks that warp America's spending and investment. He would remove the federal subsidies for expensive business meals and football tickets and the building of shopping malls. He would at least reduce the artificial lure of much real estate investment and other shelters.

But in redesigning the purer reform proposed by his Treasury, Mr. Reagan injects some dubious political objectives. By repealing the deductibility of state and local taxes, he

would begin to starve the budgets of local governments as he has tried to starve federal spending. Yet he would spend sizable revenues for a big increase in personal exemptions, a larger benefit for big taxpayers than for small.

Downright unfair are some of the special lures that Mr. Reagan holds out to influential constituencies. Although he would kill the oil depletion allowance, he retains special deductions for oil drilling. Most distressingly, he would give still more favorable treatment to capital gains, preserving the huge distinctions between income from wages and the appreciation of stocks or paintings. The president contends that this favoritism is necessary to stimulate investment and growth. But his hardly socialist Treasury thought otherwise just a few months ago and offered the much better idea of discounting capital gains for inflation and then taxing it like all other income.

Especially worrisome is the proposal to tax monies paid in taxes to state and local governments and thus to attack their services, even as Washington sharply reduces aid to those services. As former Senator Jacob Javits observes, the inevitable losers would be the poorest Americans who depend on local services. Washington would honor the deductibility of taxes paid to Saudi Arabia or Japan, but not those paid to Minnesota or New York City.

The administration has now produced two stimulating tax revisions, proving that many of the components are interchangeable, without enlarging the deficit. Mr. Reagan's package is impressive but far from ideal by his own stated objectives. Congress can make it better still.

—THE NEW YORK TIMES.

## Other Opinion

### No Real Change in South Africa

An intense study of the situation in South Africa by Los Angeles Times reporters and outside experts indicates that new initiatives and an alternative to President Reagan's policy of constructive engagement are required if the risk of a bloodbath is to be reduced.

There has been no fundamental change in the policy of apartheid. There may be no way to contain the spreading violence, but if there is a way, it is by ending apartheid.

American businesses operating in or with South Africa should probably remain for the time being, but they must do more to persuade Pretoria to dismantle the apartheid system. The Sullivan principles, setting forth appropriate workplace conditions and committing companies against apartheid, will remain little more than a screen designed to justify remaining in business with South Africa unless they are used aggressively for fundamental change.

There is a susceptibility of managers to stockholders, but too often stockholders have not used that authority to prod the managers into full and aggressive compliance with the Sullivan principles. Divestment is an appropriate reaction only if managers refuse.

There are now proposals for legislation to bar new investments, limit bank lending and control trade. That is premature. Economic sanctions have rarely if ever been an effective instrument for bringing about peaceful change. It is better at this stage to test

the leverage still in the hands of those doing business with South Africa.

For more than four years now the Reagan administration has opted for soft talk in public and tougher talk in private to win concessions from South Africa. This has served to encourage nothing more than superficial change. The change that really matters, ending racism, is as distant as ever. The blacks are not impressed with the lifting of segregation rules in some public places when they remain without political and economic rights.

The depth of American revulsion would become clearer if the polite rhetoric of the administration were reinforced. One step would be tighter trade restrictions on sensitive items, including high technology. There are items on the list of exports with strategic implications that should not be permitted, given the risks to South African stability brought on by the stubborn pursuit of racism.

Nothing may be accomplished by pursuing the full implementation of the Sullivan principles, by tightening strategic exports, by making sure that the American commitment to peaceful change is not seen in Pretoria as license to perpetuate racism. But if change does not result, the issue of divestment may be academic. The opportunity for investment most likely would, along with the opportunity for peaceful change, be lost in violence made inevitable by an elite blinded by its privileges from seeing the options that still exist.

—THE LOS ANGELES TIMES.

## FROM OUR JUNE 4 PAGES, 75 AND 50 YEARS AGO

**1910: Socialist Plot Foiled in Japan**  
YOKOHAMA, Japan — A great Socialist plot against the Government has been discovered, with ramifications so extensive and interests so enormous that the newspapers are forbidden to publish details. It is known, however, that several notorious agitators disguised as laborers employed in the Government factory near Matsumoto, in the Nagano Prefecture, have been secretly manufacturing bombs for the purpose of killing Count Katsura and other members of the Cabinet. The ringleaders, one of whom is Shuzui Kotoke, an educated man and an excellent writer, have been arrested in the Amanoya Hotel, near Hakone. Two women were among the prisoners. Count Katsura is the special object of hatred owing to his drastic measures against the Socialist party.

**1935: Baluchistan Quake Kills 40,000**  
QUETTA, British Baluchistan — It is estimated that forty thousand persons lost their lives in the [May 30] Baluchistan earthquake. Six thousand who were injured are now being treated in hospitals. Another shock was felt [on June 3] but beyond shaking down a few buildings already ruined it did no damage as far as can be learned. A previous secondary shock, which was more extensive, damaged the railroad and caused a re-routing of refugee trains leaving the stricken area. Over 3,000 troops have been engaged in clearing out the Indian quarter of the city and there are 5,000 survivors camped near the railroad. Searching the wreckage for bodies is not expected to be completed for many days. Thousands of the dead still lie buried in the ruins.

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92000 Neuilly-sur-Seine, France. Tel.: (1) 747-1265. Telex: 612718 (Herald). Cable: Herald Paris. ISSN: 0294-9032.

Directeur de la publication: Walter N. Thayer.  
Asia Headquarters, 24-24 Hennessy Rd., Hong Kong. Tel.: 2-285618. Telex 61170.  
Managing Dir. U.K.: Robin Mackenzie, 63 Long Acre, London WC2E 9LT. Tel.: 376-4040. Telex 262009.  
S.A. de l'Europe: W. L. Lamberth, Frankfurt, 15, 6000 Frankfurt/M. Tel.: 069-2675. Telex 41674.  
S.A. de l'Amérique: R. C. S. Nantier, 67320-1126, Courmayeur, France. Tel.: 03-32-53-53.  
U.S. subscription: \$32 yearly. Second-class postage paid at Long Island City, N.Y. 11101.  
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## U.S.-Soviet Relations: The Grim Horizon

By Marshall D. Shulman

This is the first of two articles.

NEW YORK — Sometimes on the Great Plains of America you can see a tornado coming from a long way off. That is the situation the United States faces in its relations with the Soviet Union just now.

Unless something changes, we are in for a long period of unregulated military competition and consequent higher tensions. Neither country wants it. Both countries will face tough domestic problems as a result. In addition, America will have increasingly difficult alliance problems. But each country thinks it is up to the other to move.

American public opinion, preoccupied with taxes and budget-cutting, is confused first by mixed signals on U.S.-Soviet relations, and also — to the extent that it is giving any thought to the shift in strategy to a "star wars" defense against missiles — by the mistaken belief that a decision limited to research will postpone the problem.

What keeps the public from seeing the dark cloud ahead is that the relationship is moving in different ways at different levels.

The atmosphere has been better since President Reagan delivered a speech of somewhat more conciliatory tone in January 1984. At the level of secondary issues, there is talk of trade, new consulates, regional interests and so on. There is even a muted going on about a possible Reagan-Gorbachev meeting in the fall.

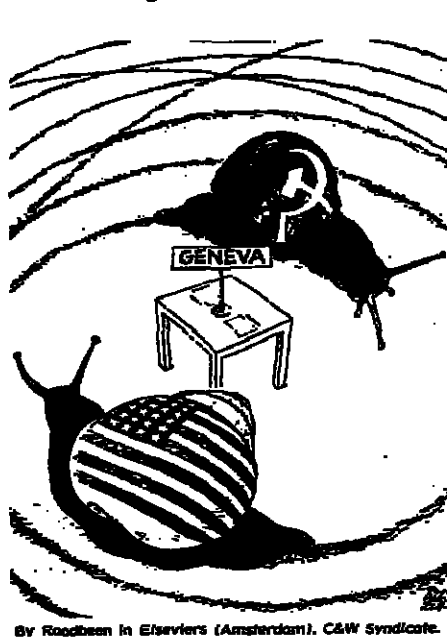
But on the most important issue, management of the nuclear military competition, the positions of the two countries seem to be irreconcilable, with no sign of movement as the second round of negotiations starts up in Geneva.

Before long it will be clear to all that even if the talks continue as a public relations exercise, both countries will be deploying new weapons systems now in their pipelines: ballistic missiles, cruise missiles, submarines and bombers.

This will beget tension, from which the atmospheres and the secondary issues will not be insulated. It will heighten strains in the Atlantic

alliance and in Soviet and American societies. This outcome is not foreordained. It will depend upon choices that are waiting to be made in Moscow and in Washington.

On the Soviet side, the new leadership faces major decisions. In anticipation of the 27th Communist Party Congress next February, the leadership is drafting a new five-year plan that involves calculations about trade, military costs and domestic goals. The Kremlin is also at a



By Roddman in Elsevier (Amsterdam). C&amp;W Syndicate.

crucial juncture in one of its regular five-year military planning cycles.

Mikhail Gorbachev has made clear that his priority is to concentrate on modernizing the economy. Logically, this gives him an interest in better relations with America if possible, not only to improve trade but, more importantly, to avoid still higher drains into the military sector.

Although the incentives for the Soviet regime to seek agreements with the United States to moderate the military competition are strong, Moscow is also determined not to appear weak. It is a mistake to believe, as some in America do, that Soviet domestic problems and the pressure of new U.S. military programs will compel the Soviet leadership to capitulate.

The crucial obstacle to agreement in the Geneva negotiations is the proposed Strategic Defense Initiative, or "star wars." To Moscow, the SDI is a disguised way of forcing the pace of competition in advanced-technology weapons, in which superior technology gives the United States an advantage. By no conceivable logic can the Russians be expected to agree to reduce their offensive missiles while America is moving to gain military control of space, in addition to the new bombers, missiles and submarines that the United States is building under a nearly doubled military budget — which will continue to increase for the next several years even if Congress were to grant no new spending authority.

The Russians will instead build more missiles and more warheads. And America will make it easier for them to do this if it decides no longer to abide by the limits of SALT-1 and -2.

The writer, professor of international relations, directs the W. Averett Harriman Institute for Advanced Study of the Soviet Union at Columbia University in New York. He contributed this comment to The New York Times.

## To Be Lebanese Means to Keep On Coping

By Herbert H. Denton

This is the first of two articles.

WASHINGTON — Lebanon is so good at making do amid war and chaos that its upheavals seem capable of going on forever.

It is not so long since I lay flat on my back in the American University hospital in Beirut with a severe infection. Shiites crashed a few blocks away. Hospital staff tried to maintain their routine. I was visited daily by doctors and a white-starched nurse of serious-looking medical students with clipboards who took notes and nodded gravely at me.

All around was barely contained chaos. Crowds milled around the lobby seeking to be admitted. A few days

I never thought that the Lebanese were innately bloodthirsty. Indeed, outside Lebanon they have always worked hard, prospered and lived peacefully. On the west coast of Africa, for decades, they have been the merchant class. In the Gulf region, as the oil states modernized, they and the Palestinians formed the core of the professional class.

The Lebanese continue to be supremely confident that whatever they destroy they can quickly rebuild, and that in the interim they can cope.

A joke told by all factions is that of the 11-year-old boy who has just immigrated with his parents to New York and is being tested in the neighborhood elementary school. "What's two and two?" the American schoolteacher asks the boy. He pauses to think for a moment, then responds, "Are you buying or selling?"

Keen calculation is at the core of the Lebanese psyche, whether it is in matters of trade and finance or war and politics. I recall an aide of Robert C. McFarlane, President Reagan's national security adviser, telling how the Americans replaced a large window in the ambassador's residence that had been blown out by shelling. They discovered that a former president of the republic who always responded agreeably to their appeals for national reconciliation had put his money on war. He had cornered the market on pane glass.

When I arrived in Beirut in January 1983 I discovered that even poor Shiites, existing in the most miserable of human conditions, displayed the Lebanese national way of coping.

The grand old waterfront hotel on the northern tip of the city had long since been battered beyond recognition and was serving as crude shelter for some of the hundreds of thousands of country folk who had fled to the capital from the cross fire of the Palestinian-Israeli war to the south. In these bombed-out shells there was neither electricity nor running water. Yet a telltale sign of the squatters' presence was the lines of freshly washed clothes hanging out to dry.

There was even a routine to the war. Housewives would scurry out to

shop in the early afternoon because they knew fighting would taper off while the guerrillas ate a big lunch. Everyone knew there would always be at least one day late in the month when hostilities ceased — payday.

If Lebanon is unfathomable and bruising for outsiders like Israel and the United States, it is not because there are no rules to the game there. Rather, I believe, it is because behind the Western veneer, the democratic institutions, there were social arrangements that stood Western understanding of logic on its head.

In a nation of religious minorities vying for position in a violent, volatile atmosphere, one such rule is that



change the cardinal rules of the game.

The Shiites, dominant in the capital now, understand the dynamic all too well, although they are at a loss to see how to get out of their current predicament of superiority. They appear to have prevailed in their battles to keep the PLO from establishing itself in Beirut, but they are painfully aware that their successes in combat have come at the price of appearing as the heavy, which sets them up for similar counter-treatment later on.

When Lebanon has worked — which has not been for the last 10 years — it has not been because of any consensus on national purpose, says Jamil Mroue, editor of the English-language Beirut Daily Star. The equilibrium meant merely balanced posing forces were finely balanced and agreements had been reached on rules for doing business. This favored style of dealing is universally known as "the Lebanese solution."

A reporter for the National Geographic, on a trip to Lebanon in the late 1960s as the fragile calm began to fall apart, found "transactions of such complexity and boldness as to give pause to even the most audacious of entrepreneurs.... Consider, for example, the Lebanese trader who sold some French-made pianos to a Brazilian merchant, accepting a shipment of peanuts from Senegal as payment. He then sold the peanuts to a German firm with the stipulation that he be paid in U.S. dollars."

The Lebanese are fond of these jerry-built arrangements and especially revel in ones with hidden built-in parts. One of the less complex of those I encountered was a deal struck between the Christian commanders of the U.S.-built Lebanese army and a brigade of Shiite soldiers that defected to the Shiite militia, Amal.

Akaf Haidar, an Amal leader, recalled later that once the impoverished militia had gained control of the brigade, they were faced with the problem of paying, feeding and arming it. Their solution was to request provisions from the Christian commanders against whom the brigade was in revolt. The commanders initially refused, but militia leaders reminded them that the Central Bank was in the area controlled by the rebels, who could seize it. So a deal was struck to allow paymasters and supply trucks through the lines.

If the Lebanese are good at these kinds of arrangements, they never seem to exhibit any patience with the drudgery and detail involved in the profitless art of governing.

Ministries were often filthy and disorganized, in contrast to the impeccable cleanliness and efficiency of private offices. Corruption was brazen and rampant. A clerk once demanded a \$50 bribe to process my application for a work permit. He explained that he had plowed all his savings into a little gift shop, but because of the war, business was poor. "All I have is what I take from the ministry," he sighed sadly.

The writer was The Washington Post's Beirut bureau chief in 1983 and 1984.

## LETTER TO THE EDITOR

### Amateur in the Embassy

The International Herald Tribune has done well to air the question of political ambassadors. America is the only serious country not to recognize diplomacy as a profession, thereby perpetuating the 19th century European tradition of naming "aristocrats" as ambassadors.

Professional diplomats accept that special circumstances may call for a political appointee, and a few outstanding nonprofessionals are remembered. These few, however, all had exceptional qualifications and preparation, from extensive public service or closely related experience.

Career diplomats keep hidden their horror stories about the gaffes, or worse, of many politicians. Awareness of the Herculean efforts professionals frequently make to limit the damage of political appointees might lead to a demand for more seriousness in choosing ambassadors.

An ambassador's complicated functions include, in addition to advocating U.S. policy, the capacity to report events in the host country.

## Humiliated By Violent Offspring

By Flora Lewis

VARNA, Bulgaria — Moscow radio, which dominates the air in all languages hereabouts, has had a lot to say about the murderous football riot in Brussels last week.

Football — that is, soccer — is one thing Eastern and Western Europe have in common. Bulgaria beat Yugoslavia a few days ago and it was a cause for national celebration. Russians are passionate about their team. So the mad behavior of English fans attending a match with Italy, leaving 38 dead and hundreds injured, was a matter of special interest.

Moscow's commentators claimed to have the explanation. English youths, he said, are driven crazy by unemployment, by a decadent society that offers them neither hope nor purpose. They go berserk to express their revulsion at the Western system.

In response, it is of course easy enough to denounce the abuse of freedom in a part of the world where freedom is limited to accepting authority. Still, it is disturbing that some Western youths hold so low the values of civil behavior, appreciate so little the right to travel where they please, to speak and dress and think as they please. These rights are denied in much of the world.

To her credit, Prime Minister Margaret Thatcher neither made nor accepted any excuses for her country. British football teams will be kept out of Continental competition for a year and Parliament will be asked to push through much stricter laws to keep order when games are played.

But there is something more nagging at the back of the mind, something missing in our understanding of our social problems. It is sharpened by hearing all this from the other side of the East-West divide.

Here, on what has been called the Red Riviera on the wide beaches of the Black Sea, there is utter calm. Young people are decorous. They have to be, or they risk bad trouble. Family ties are tight, by necessity as well as tradition, since it is so hard to get a place to live, to win some independence and achieve some mobility.

A Westerner feels a reflex of distaste for so much external constraint, so much policing, so much deliberate organizing and mobilizing to cast the individual in an iron mold of conformity. He is told about "scientific programs" for the "socialization of youth." When you ask what on earth that means, the vague answer is to teach them how to behave and be useful to society.

That is meaningless — or worse, deliberate obfuscation by a power system imposing its demands for enthusiastic obedience. But it leaves an unspoken question about what is going wrong in the West.

It seems obvious enough what is going wrong in the East. There isn't any sparkle room. People are supposed to be "socialized," which means repressed in a way to guarantee that regimes cannot be challenged and individuals cannot dissent. The result is a drag pecking order. Right is what each superior layer says is right. And there are certainly layers here, organized by money when it comes to whether payment is in solid Western currencies or only the local tender; organized by rank when it comes to privileges.

Back to the football syndrome, and the radio. Violence for wild tribal reasons is widespread. There are the Tamils and the Sinhalese brutally murdering each other in Sri Lanka. There is Beirut full of heavy arms every being turned against yesterday's ally to get the jump on tomorrow's enemy lest he manipulate an advantage.

No doubt there is much more distress that does not get on the radio, because there is nobody around willing or able to report it for people who are curious about the world. Assumptions are so easily acquired. Some parts of the world can be expected to do awful things. Other parts can be expected to hide them.

The shock comes with compulsory recognition that we harbor the capacity to be dreadful in the part of the world we think we know.

All those other bloody fights and surly relations seem to be about grievances that are understandable if not a justification for the way people behave. But a football game? How does that acquire the status of substitute target for the lust to identify an enemy and wreak harm?

There is a lot to ponder, in the excesses of order and disorder. It is irritating, but humbling, to hear in the East that the West doesn't do any better in bringing up its children to make the world less vicious.

The New York Times.

## How Americans Learn Not to Read

By Rudolf Flesch

DORRIS FERRY, New York — The U.S. National Institute of Education, a federal office, says that 27 million American adults are wholly illiterate and that 45 million more are near-illiterate. Why is this the case? America has had compulsory education for 100 years. How come millions can't read?

The only answer is that schools do a poor job of teaching reading. For centuries, the reading of alphabetic languages has been taught by phonics — by teaching the sounds of letters. Other alphabetic languages are taught this way. Why do Americans do it differently?

Six independent studies have shown that English-speaking children enter American schools with an average speaking vocabulary of at least 34,000 words. When phonics is used, children are taught the sounds of the 26 letters and about 100 letter groups like AU, CH, EIGH, NG, OY and WR. In the few schools that still use systematic phonics, pupils learn those standard spellings by Christmas of their first year and can then read anything that interests them.

However, some 50 years ago most schools abandoned phonics and switched to the whole-word method. Instead of teaching the sounds of letters, this teaches children the meanings of whole words. The process takes six or eight years and, as literacy statistics show, is extremely inefficient.

Professional literature on the teaching of reading shows that American educators treat it like the teaching of a foreign language. The ability of first graders to speak and understand 24,000 English words is ignored, and the child is taught a second language that might be

called "visual English." The child is shown a picture of a cat, a dog, a house and told that the letter group underneath means a cat, a dog, a house. The child is then shown endless repetitions of the letter groups so that he or she will remember what they look like.

By the same token, a child who is wholly ignorant of German could be taught "visual German." The child would repeatedly be shown certain German words and told, for instance, that the letter group PFERD under a picture of a horse means a horse. In this way the child would presumably in several years attain a reasonable command of "visual German" without ever hearing or speaking a German word.

Note that this method completely ignores phonics. PFERD is pronounced *pfirt*, but the student is not asked to learn that.

With the whole-word method, phonics becomes a wholly irrelevant frill. And that is precisely how it is treated in American schools and in the so-called basal readers used throughout the country.

From 1911 to 1980 there were 124 studies that proved that systematic phonics is the best way to teach reading. A recent report of the Federal Commission on Reading agrees. Something should be done about it. Now.

The writer is author of "Why Johnny Can't Read" (1955) and "Why Johnny Still Can't Read" (1961). He contributed this comment to The New York Times.

## Parents Have a Decisive Role to Play

FOR years, American parents were advised to leave all reading instruction to teachers, on the ground that parental efforts to introduce children to reading would only confuse them. Research now shows that informal instruction at home powerfully contributes to children's interest in reading and to reading achievement in school.

The single most important way to help children become good readers is to read to them — even when they are infants. As children grow, parents should talk with them, discuss their children's experiences, daily activities, favorite stories or movies or television programs and urge them to tell stories about trips to the zoo, museum, store, library, park. Children must learn the importance of words as conveyors of meaning.

Good readers, researchers find, have access to pens, pencils and chalk boards at home, and are encouraged to write stories. Their parents are informal teachers, not competing with school but supporting its mission. Parents should see that children have time to read, independent reading time, and should encourage them to read outside of school. One study found that fifth graders spend about a third of their free time watching television, compared to 1 percent or less in reading. Parents should restrict television-watching to one hour on school days.

—Diane Ravitch, a historian of education and author of "The Schools We Deserve," writing in The New York Times.



## Arms Concern Employee Linked to U.S. Spy Case

By Philip Shenon  
New York Times Service

WASHINGTON — An employee of a military contractor in California has been implicated in a purported Soviet spy ring, government officials said.

The employee, a former U.S. Navy worker who lives near Sacramento, California, has been questioned by federal agents, the officials, who asked not to be identified, said Sunday night. They said he was suspected of smuggling secret material from the Alameda Naval Air Station near Oakland, but declined to be more specific about the type of material.

A retired navy communications specialist, John A. Walker Jr., and his son, Michael Lance Walker, a seaman aboard the nuclear carrier Nimitz, have been indicted on charges of espionage for the Soviet Union. John Walker's brother, Arthur J. Walker, a retired navy lieutenant commander and engineer for a defense contractor, has been arrested on similar charges.

The officials also said that John Walker, who has been accused of being the leader of the purported ring, was hired by the navy to give polygraph, or lie detector, tests to sailors charged with misconduct, a post that may have given him access to highly classified information.

According to the officials, classified military documents were found in the office of Arthur Walker, who worked most recently for VSE Corp., a military contractor based in Virginia.

The documents, the officials said, included information about designs for ships that would be used as command-and-control centers at sea.

The sources said that the California man, who has been identified in affidavits only as "D," had permitted federal agents to search his home.

### Mother of Trial Witness Dies in Bombing in Italy

NAPLES — The mother of a man who has been testifying against co-defendants in a large-scale trial of suspected members of the Camorra, or the Naples Mafia, was killed by a bomb explosion early Monday, the police said.

Francesca Pandico, 65, died when the bomb went off under the cabin in which she and other family members lived in a camp near Naples for victims of a 1980 earthquake. Her son Giovanni is one of about a dozen witnesses on whose evidence the state based its case against 640 suspects.

They would not say what was found inside, nor would they describe the ties between "D" and John Walker. In a secret message to a Russian diplomat, Mr. Walker used the code name "D" to describe the California man, the officials said.

A former employee of John Walker's private detective agency in Norfolk, Virginia, said that Mr. Walker had made frequent trips to San Francisco to visit a business partner.

The officials have said that at least three California men who worked with Mr. Walker in the navy are under surveillance by law enforcement agents.

**More Surveillance Urged**  
Ronald J. Ostrow of the Los Angeles Times reported from Washington:

Bobby R. Inman, a retired admiral and a former deputy director of the Central Intelligence Agency, called Sunday for an increase in surveillance of Soviet bloc agents in the United States.

Following the charges of spying activity lodged against members of the Walker family, Mr. Inman said that the Naval Investigative Service has three times as many agents looking for waste, fraud and abuse — "the \$600 ashtray cases" — as agents hunting for spies.

"Frankly, we tend to allocate the talent we have against the problem that's got the current headline," he said on a television interview program.

Mr. Inman said the government could not put the 4.3 million Americans who hold security clearances under surveillance. "So you begin with absolutely blanketing every legal, accredited prospective case officer in this country," he said.

Case officers, as they are called in the intelligence community, are officials that Soviet bloc countries send to the United States as part of their embassy or United Nations staffs. Protected by diplomatic immunity, their real mission is intelligence-gathering and recruiting spies.

In the early 1970s, the United States moved to improve trade and foreign relations with Communist countries, and in the process "more than doubled the number of prospective case officers," Mr. Inman said. At the same time, the Federal Bureau of Investigation and military services were reducing the number of counterintelligence agents they had.

Since then, however, although Mr. Inman did not mention it, the FBI's counterintelligence budget has increased sharply, and the ratio has improved, intelligence sources said.

## De Lorean Announces Plans To Build a New Car in Ohio

The Associated Press

LOS ANGELES — John Z. De Lorean, the automaker whose venture to make a luxury sports car in Northern Ireland failed, says he will set up a plant in Columbus, Ohio, to produce a new high-performance car.

Mr. De Lorean said in an interview that he has been working on the car for about six months and that the assembly operation could be established soon.

The Los Angeles Herald-Examiner quoted Mr. De Lorean as saying late Sunday that his role in a new company, if one is created, has not been defined.

Sources in Ohio and in Northern Ireland said Mr. De Lorean hoped to produce a car similar to the DMC-12, which was built by De Lorean Motor Co. from 1979 until the company filed in 1982, the Detroit Free Press reported Sunday.

Marvin Katz, vice president of Kapac Co., an auto parts distributor based in Columbus, Ohio,

whose company acquired most of De Lorean Motor's parts inventory, said the new car would be a modified DMC-12 "with a larger engine and transmission and wheels." He would not identify other companies and individuals he said were backing the latest effort.

The DMC-12 was built in Northern Ireland, with the British government contributing about £77 million (more than \$140 million at 1982 exchange rates). The British government and a large number of other creditors have filed civil suits in Detroit to recover some of their losses, and the legal implications of a new De Lorean car venture were not immediately clear.

De Lorean Motor filed for reorganization under U.S. bankruptcy laws in October 1982, but was placed under liquidation after a hearing in a Michigan court.

Mr. De Lorean remains under investigation by a federal grand jury in Detroit, his lawyer has



John Z. De Lorean

said. The grand jury reportedly is investigating Mr. De Lorean's business activities, including allegations by creditors that he had misappropriated millions of dollars in the Northern Ireland venture.

## Raids End Salvadoran Hospital Strike

By Robert J. McCartney  
Washington Post Service

SAN SALVADOR — Hundreds of Salvadoran military policemen and national guardsmen carrying automatic weapons burst into five hospitals and 20 clinics of the state-run health system around the country to end a four-week takeover by striking health workers.

The armed forces reported that four police "observers" — unarmed and not in uniform — were shot and killed in the action before dawn Sunday at San Salvador's General Hospital under uncertain circumstances.

One patient was reported to have died of a heart attack during the raid, but neither the military nor the strikers reported that any civilians were killed or wounded there, and fragmentary reports from outside the capital listed no casualties.

The police actions apparently were designed to crack down on what President Jose Napoleon Duarte charges is "subversive" use of the union movement by El Salvador's leftist guerrillas to destabilize his government.

The state health workers' strike technically was illegal. But officials acknowledged that such stoppages have been tolerated since 1979 without use of force. Mr. Duarte lashed out at unions in his state-of-the-nation address Saturday in a wide-ranging criticism of the Salvadoran left.

In addition, the government

sought to show that it could use force without resorting to the kind of brutality that the three military security forces — national police, treasury police and national guard — have been accused of in the past.

"We've tried to do everything with the professionalism that the armed forces now have achieved," said Lieutenant Colonel Enzo Rubio, who commanded the units that entered General Hospital.

Neither Colonel Rubio nor witnesses provided a clear account of how the "observers" were killed, although strikers suggested that they had been shot by other policemen.

The government said that patients who had left the hospital during the takeover had reported that the strikers had pistols and possibly a machine gun, but the strikers denied it.

At General Hospital, where the government called a group of mostly American reporters to be present during what was termed a "dislodgment," a special team and more than 100 military security agents bound the hands of several hundred hospital workers with twine and forced them to lie on the floor. The workers, including doctors and some nurses, were released after their identification documents were checked.

## Embezzler in Tennessee Gets 20 Year Term

The Associated Press

KNOXVILLE, Tennessee — Jake F. Butcher, the financier whose theft of \$20 million from his banks led to their financial ruin, was sentenced Monday to two concurrent 20-year prison terms.

He will be required to serve at least a third of his sentence. Twenty years was the maximum Mr. Butcher could receive under a plea-bargain arrangement with prosecutors.

U.S. prosecutors had urged U.S. District Judge William K. Thomas to sentence Mr. Butcher to the maximum term on the first of three bank fraud convictions.

Only the maximum sentence will "provide the necessary punishment and serve as a deterrent to others," U.S. Attorney John W. Gill Jr. told Judge Thomas.

Mr. Butcher was indicted twice on bank fraud charges in Knoxville, once in Memphis and once in London, Kentucky. The collapse of his flagship bank, the United American Bank of Knoxville, led to the failure of eight banks in Tennessee. Eleven other banks in Tennessee and Kentucky had to be sold or merged.

The financier accepted a plea

## For a U.S. Bureaucrat, a Life of Spice

Price and Supply of Condiments Are the Esoterica of Work

By Ward Sinclair  
Washington Post Service

WASHINGTON — Sooner or later, someone will wonder about the world celery-seed situation, so here's some of the news crossing the desk of Rex E.T. Dull, the man at the U.S. Agriculture Department who keeps tabs on the spice trade.

The good news is that prices early this year were down from last year's exceptional highs, which were caused by civil strife around America. India produces most of the world's celery seed.

The bad news, according to late intelligence, is that unrest is boiling up again, and nobody knows what will happen to celery-seed supplies.

The nutmeg picture, on the other hand, is a bit clearer. Indonesian nutmeg is doing well; nutmeg from Grenada, however, is doing poorly in general, and in the United States in particular, because it contains more fat than buyers want.

After the U.S. invasion of Grenada in 1983, the Soviet Union canceled a contract to buy 500 tons of nutmeg a year, and the island's warehouses now hold a huge surplus. Mr. Dull said recently.

Arcana like these are the spice of Mr. Dull's life. He has been the Foreign Agricultural Service's keeper of data on tea, spices, cocoa and essential oils for 24 years, and never, he says, has it been a bore.

Mr. Dull's reports and market analyses, published periodically by the Agriculture Department, apparently are snapped up eagerly by people who have a need to know about their subjects.

As a result of his immersion in the esoterica of spices and the like, Mr. Dull has become a walking encyclopedia of things you probably never cared to ask about.

For example, Mr. Dull's data disclose that U.S. oregano imports

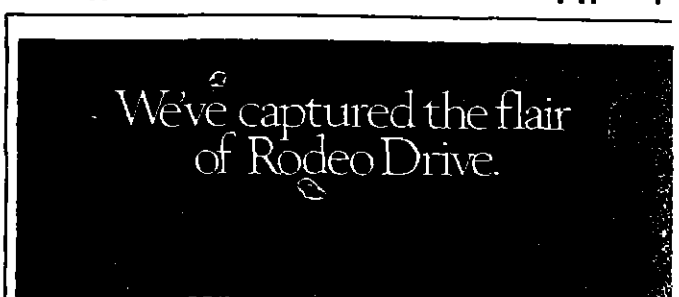
continue moving right on up on the charts. "Oregano has become very popular, due to the popularity of pizza, spaghetti, the Italian foods," he said. "Same thing for basil, which is increasing."

Or consider the sesame seed. U.S. imports were 36,759 metric tons (40,434 short tons) last year. The largest user in the United States probably is the McDonald's fast-food chain, which offers a sesame-seed bun.

The hot item in the spice business happens to be pepper. Mr.

Dull's last circular reports that tight supplies and rising prices have hit the world pepper market, with production having fallen below consumption.

But pepper, like so many other farm products, is an up-and-down commodity. Brazil boosted plantings and exports to record levels in 1981 and 1982, but when prices dropped, farmers reduced plantings. Mr. Dull reported. Some Malaysian farmers switched from pepper to cocoa; bad weather spoiled much of India's 1984 pepper crop.



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## Philippine Officers Organize in Effort to End Abuses

By William Branigan  
Washington Post Service

MANILA — A group of young military officers has launched a movement within the armed forces to halt what the officers see as growing demoralization and to improve their effectiveness in combating Communist insurgents.

The movement emphatically rejects any idea that it might engineer a coup, and insists on respecting the military hierarchy. But it clearly responds to deficiencies in the armed forces' leadership and growing frustration in the battle against about 12,000 guerrillas of the New People's Army, the military arm of the Communist Party of the Philippines.

Among the movement's grievances, according to published statements and interviews with member officers, are corruption in the military, favoritism in promotions, generals who retain their functions after they reach retirement age, military abuses against civilians, inefficient distribution of supplies and loss of public support.

The group is known as "We Belong" or the "Reform AFP Movement." AFP standing for Armed Forces of the Philippines. It says it is expanding rapidly and winning support in various parts of the country.

been announced, but an officer has estimated publicly that the movement has the support of 70 percent of the more than 3,000 Philippine Military Academy graduates in service. A legislator has estimated that 40 percent of the 16,000 officers in the armed forces, which has 113,000 members, could be supporters or sympathizers.

The movement has been welcomed by some leaders, including Defense Minister Juan Ponce Enrile and the acting armed forces chief of staff, General Fidel V. Ramos. But it appears to have been greeted with suspicion or ambivalence by others.

The coast guard commander, Commodore Brilliant Ochoa, a former chairman of the Philippine Military Academy's alumni association, said in a speech Saturday that the group's aims were worthy, but their methods "deplorable."

He charged that the movement's complaints "crucified members" of the armed forces "before they good names" and gave a false impression that nothing had been done to correct flaws.

Instead of disregarding military tradition and using "propagandist venues" to air their grievances, Commodore Ochoa said, the officers should go through channels.

In an interview last week, President Ferdinand E. Marcos tended to dismiss the movement's grievances as "gripping," although he acknowledged that complaints may have some basis.

"Gripping is traditional in the armed forces, but they've just called it by an esoteric name," Mr. Marcos said. He reminded about "gripes" he had heard about food, clothing and shoes while an officer during World War II. He added, however, in a reference to the movement's officers, "We should listen to them."

Asked about Mr. Marcos's remarks, five members of the movement indicated in an interview Thursday that their grievances had gone well beyond such griping. "We don't like to use the word 'gripes,'" a colonel said.

Mr. Marcos conferred Friday with about 30 officers in the movement who had graduated from the military academy classes of 1971 and 1973, according to the presidential palace.

A statement said Mr. Marcos had promised to prosecute promptly any military men accused of dis-



Fidel V. Ramos



Juan Ponce Enrile

honesty or corruption, and to encourage the group to help gather evidence of irregularities. But he warned against "trial by publicity."

The statement also said the officers, who were accompanied by General Ramos, had assured Mr. Marcos that their movement had not been instigated by any military or political leader and that they would press for change within the law and the chain of command.

In apparent response to the movement's concerns, General Ramos ordered on Saturday the court-martial of two officers and six enlisted men in connection with crimes that included murder and robbery.

At the same time, in a move approved by Mr. Marcos, General Ramos relieved two field commanders whose units in the provinces of Negros Occidental and Samar were recently attacked by Communist rebels. General Ramos said the two colonels had been relieved for having failed to supervise security measures in their units.

In other disciplinary measures, the presidential palace reported Monday that he would run for reelection in 1987, United Press International reported from Manila.

In a press release, Mr. Marcos said he would seek a new six-year term to enable him to carry out a pledge to lift the Philippines from its economic crisis. The nation's foreign debt is about \$25 billion.

that 40 officers had been dismissed and six reprimanded as of May 13 in what he called "an ongoing effort to weed out incompetents and undesirables in the officer corps."

So far, however, authorities have said nothing about what an officer in the movement denounced as the "dishonesty" of some officers who he said were painting a "rosy picture" of the military's fight against the Communist guerrillas.

Another officer described how guerrillas can lie in ambush for days "and nobody will inform the military about them." But when the military tries to ambush the guerrillas, he said, people often warn them.

The officers said military abuses, including torture and summary executions, had contributed to the lack of public support.

An officer said, "Some of us on occasion have been ordered to get involved in massive election irregularities," such as "carrying off ballot boxes" and "terrorizing voters" into supporting certain candidates.

He said the movement aimed to "generate enough awareness" that young officers would refuse such orders in the future.

The officers, who represented the Philippine constabulary, the army, the air force and the navy, were interviewed at Camp Aguinaldo in Manila, site of the Ministry of National Defense.

■ **Marcos to Run Again**  
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**BUSINESS TRIP** — Zhao Ziyang, China's prime minister, arriving in London for a one-week visit, was met by Sir Geoffrey Howe, Britain's foreign secretary. Mr. Zhao, seeking joint ventures and technology transfers, also will visit West Germany and the Netherlands.

## Vatican, Italy Put New Pact Into Effect

**VATICAN CITY** — The Vatican and Italy exchanged documents on Monday ratifying a revised church-state accord that ended Catholicism's role as the state religion and Rome's status as a "sacred city."

Prime Minister Bettino Craxi and the Vatican secretary of state, Cardinal Agostino Casaroli, exchanged the documents on the new concordat at a ceremony in the Vatican.

Mr. Craxi, making his first official visit to the Vatican since he assumed office nearly two years ago, later met with Pope John Paul II.

The ceremony formally put into effect two agreements on the revision signed last year and ratified by the Italian Parliament.

The concordat is a revision of part of the Lateran treaties signed between the Vatican and the government of Mussolini in 1929, and guarantees religious freedom for non-Catholics.

Mr. Craxi described it as the formal realization of an article on religious liberty in Italy's Constitution of 1948.

Cardinal Casaroli said that the accord should not be seen as a break with the past but as the product of a continuous maturation.

He noted that although Catholicism is no longer the state religion the pact acknowledges that Catholic principles are an important part of Italy's historic patrimony.

Rome loses its status as a "sacred city," a title that in the past had led to the banning of plays or books considered offensive to Catholicism or the papacy. The new pact recognizes the capital's "particular significance" to Catholicism.

It establishes stricter criteria for state recognition of church institutions eligible for tax benefits and will gradually phase out state subsidies of salaries for clerics.

Beginning in 1990 Italian bishops are to pay the salaries of clerics from funds to which Italians can contribute and claim income tax relief.

Catholic schools maintain full freedom but religious education in public schools becomes optional. The state will continue to recognize church marriages but civilian courts now will review church marriage annulments.

## Iraq Reports Bombing Gulf Targets

**NICOSIA** — Iraq said that its jets attacked "a large maritime target" and a petrochemical complex Monday in the Gulf near Iran's main oil terminal.

There was no independent confirmation of the attack on the "maritime target" — Iraqi paraffin for an oil tanker — or on the abandoned Bandar Khomeini oil complex.

Iraq also said that Iraqi planes had fired rockets on Tehran on Sunday. Earlier, Iraq had made the same report. Iraq said later that its gunners had been shelling the Iraqi city of Basra in retaliation for air attacks on Tehran.

[The raid Sunday night on Tehran was the heaviest in the renewed bombing and was assumed to have caused many casualties in densely populated districts, although the official Iranian media said the death toll was 11, Agence France-Press quoted sources in Tehran as saying.]

A military spokesman in Baghdad said that jet fighters struck twice Monday at the Iranian military camp of Khaneh, in southern Iran, killing a "large number" of soldiers.

Iraqi fighter planes set fire to targets on Kharg Island, Bandar Khomeini and Khaneh oil terminals and "reduced them to smoldering ashes," the Iraqi spokesman said in a broadcast monitored in Nicosia. Iran's chief oil terminal is on Kharg Island.

The official Iranian news agency, IRNA, reported later that Iranian gunners had poured shells onto the Iraqi border city of Basra over the past 24 hours, wrecking the railroad station, a hotel and a branch of the Central Bank.

The IRNA reports, monitored in Nicosia, said that the shelling had cut off roads leading to Basra and severed the supply lines of Iraq's Third Army.

Seven other Iraqi border towns were targeted by Iranian gunners, IRNA said. There was no immediate Iraqi confirmation.

## Lord George-Brown Is Dead at 70

**LONDON** — Lord George-Brown, 70, a former British foreign secretary and one of the most colorful and unpredictable politicians of the 1960s, died Sunday after a long illness.

Lord George-Brown, who died after an operation to stop a hemorrhage, was deputy leader of Britain's Labor Party from 1960 to 1970 and Labor foreign secretary from 1966 to 1968.

He was defeated in 1964 by Harold Wilson for the post of leader of the party but he stayed on as deputy leader. He resigned from the party in 1976 over its support for union closed shops and joined the Social Democratic Party after it was formed in 1981. He was made a lord in 1970.

The son of an Irish truck driver, his political and personal life was seldom out of the public eye. His liking for strong drink was legendary.

Another former Labor foreign secretary, Denis Healey, paid tribute to his courage, drive, imagination and idealism, but added: "The trouble with George was he lacked a degree of self-discipline which would have taken him to the top."



Lord George-Brown

**Robert Douglas Coe, Veteran U.S. Diplomat**

**NEW YORK (NYT)** — Robert Douglas Coe, 83, a former U.S. diplomat, died Wednesday in Cannes.

Mr. Coe was posted in Brazil, Peru, Turkey, India, Britain, Italy and the Netherlands, and after 24

years of service retired in 1952. The next year President Dwight D. Eisenhower appointed him ambassador to Denmark, a post he held until 1957.

● **Other Deaths:**  
Richard Greene, 66, the actor who was the original Robin Hood on British television, Saturday at his home in eastern England. He also appeared in more than 40 films, including "Hound of the Baskervilles," "Forever Amber" and "My Lucky Star."

Henry Kearns, 74, who served in the Nixon administration as president of the Export-Import Bank and in the Eisenhower administration as assistant secretary of commerce for international affairs, of cancer Wednesday in Washington.

Malcolm Newman Smith, 66, a former editor of the Rhodesia Herald who opposed white minority rule in his African homeland, May 17 in Brighton, England, The Times of London reported.

Sarah M. Claiborne, 19, Thursday in New Delhi, where her father, William L. Claiborne, is a correspondent for The Washington Post. Her parents said that preliminary reports showed she died of apparent respiratory failure after consuming alcohol and drugs at a party.

## EC Tries to Define Technology Role

**LUXEMBOURG** — European Community ministers met Monday to discuss ways of competing in the development of new telecommunications systems and of gaining a leading share of world technology markets, diplomats said.

They said the talks would prepare EC leaders for their summit meeting June 29 and 30 in Milan. The talks, which continue Tuesday, complement the debate over Eureka, the technology initiative proposed by President Francois Mitterrand of France.

Eureka, which is aimed at pooling resources to develop competitive high-technology industries in Europe, has drawn support from most EC member countries and is expected to dominate the summit conference, the diplomats said.

In Monday's talks, industry ministers and telecommunications authority officials tried to define what role industry and public authorities should have in efforts to compete with Japan and the United States in technology, the diplomats said.

The discussions resulted from an EC Commission proposal for a major drive in research on telecommunications.

Diplomats said smaller countries favored a strong EC role in organizing research and developing joint technical standards for telecommunications over a wide variety of frequencies.

But some countries, such as Britain and West Germany, have shown skepticism about the pro-

posed role of the EC in such areas. They have argued that industry and the European Conference of Telecommunications would be more appropriate forums, the diplomats said.

To finance the first 18-month stage of its proposal, the Commission wants 42.9 million European Currency Units (\$31.4 million) in investment from the EC budget, national research organizations and industry.

Diplomats said that, in order to help speed up research, the EC was also seeking mutual recognition of test results of telecommunications equipment by all member states. It also wanted information on new technical standards to reach EC officials more rapidly.

■ **French Chemical Venture**  
Three major French pharmaceutical groups have joined with the government-run space research program in a venture aimed at developing biotechnology in outer space. The Associated Press reported Monday from Paris.

The accord, signed Monday at the Paris Air Show, was described by the National Center for Space Studies as the first cooperative effort between industry and government in Europe.

The companies taking part were Aérospatiale, Rhône-Poulenc SA, Roussel Uclaf SA and Sanofi.

They will pool their resources in a program to grow crystals in space for eventual medical and space applications. Until now, this area has

been restricted to academia in Europe, said the secretary of state for research and technology, Hubert Curien. U.S. researchers have been actively pursuing the field.

Asked about the cost of the venture, Aérospatiale's president and general director, Henri Martre, said the budget has not yet been defined.

## U.S. Homosexuals Sue Magazines in Ad Refusal

**LOS ANGELES** — Sponsors of an annual parade of homosexuals in the newly incorporated city of West Hollywood, California, have sued four American magazines, charging discrimination because advertisements for this year's event were rejected.

The sponsors, the Christopher Street West Association, allege in the lawsuit, filed in Los Angeles County Superior Court, that the publishers of Newsweek, Time, Sports Illustrated and U.S. News and World Report conspired to reject an advertisement for the June 23 Gay Pride festival and parade in West Hollywood. The city has a large homosexual population.

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## U.S. Envoys Find Fault With Steps For Security

The Associated Press

WASHINGTON — A new survey suggests that most U.S. Foreign Service officers believe their government has not done all it could to prevent terrorist attacks at U.S. embassies.

A majority also appear to have doubts about the effectiveness of the State Department's policy of retaliating militarily against extremist groups or against nations that sponsor terrorism.

The survey was taken by the Foreign Service Journal, a monthly magazine published by the American Foreign Service Association, an organization of serving and retired career diplomats.

A questionnaire about the adequacy of the State Department's security measures was included in the Journal's March issue. Of the 8,000 subscribers, 182 responded.

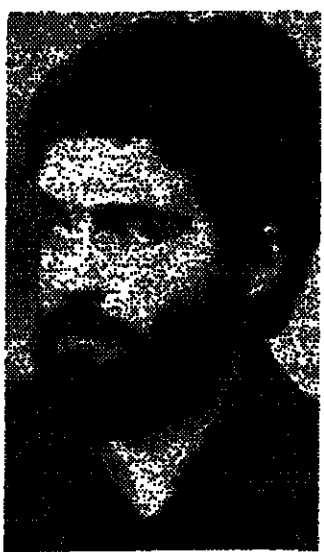
The sampling showed that almost 80 percent of the respondents believe that the bombing of the U.S. Embassy annex in Beirut last September could have been prevented with reasonable security measures.

According to the survey, 30 percent of the respondents disagreed strongly and 42 percent disagreed with the proposition that foreign affairs agencies have done all they could in recent years to safeguard employees against terrorists. Sixteen percent were undecided, leaving 12 percent in agreement.

Asked by the Journal for comment, the assistant secretary of state for security and administration, Robert Lamb, said: "We think that protection of our embassies and employees is among the highest priorities in the department. We are doing more today than we ever have at any time before. But it is not just the department's responsibility; the individual also has responsibilities."

The principal extremist activities directed against U.S. diplomatic installations over the past two years include bombings at the embassy and annex in Beirut and the embassy in Kuwait.

Reagan administration officials have said that Lebanese Shiite Muslim extremists with close links to Iran were responsible for each incident. Secretary of State George P. Shultz and the national security adviser, Robert C. McFarlane, have said that the United States should use force against governments that sponsor terrorist acts.



Wladyslaw Frasyniuk



Bogdan Lis



Adam Michnik

## Solidarity Dissidents on Trial Assert Judge Is Biased, Should Be Changed

United Press International

GDANSK, Poland — Three Solidarity dissidents accused of trying to organize an illegal strike asserted Monday that the chief judge at their trial is biased and one defendant demanded that the judge be replaced.

The demand, which the court rejected, came as the founder of the Solidarity trade union, Lech Walesa, accused the Polish government of intensifying repression of dissidents. Human rights activists said that the defendants were being prosecuted for exercising basic human rights.

Wladyslaw Frasyniuk, 31, Bogdan Lis, 33, and Adam Michnik, 38, are accused of trying to organize a 15-minute national strike in February 1984 to protest price increases proposed by the government.

The strike was canceled when the government revised its price plan.

Mr. Lis and Mr. Frasyniuk have pleaded not guilty. Mr. Michnik did not enter a plea, saying that he did not understand the charges. All three men face prison sentences of up to five years.

The press and the public are barred from the proceedings, but a lawyer said that Mr. Lis refused Monday to answer pointed questions from the court, questions the lawyer said implied that Mr. Lis was guilty.

Mr. Frasyniuk protested the conduct of the trial by asking to be removed from the courtroom. He was escorted to a jail near the courthouse and refused to attend the proceedings.

Mr. Michnik filed a protest asserting that Chief Judge Krzysztof Zemiuch was "partial" and demanding that he be replaced. The court recessed for an hour, then

announced that Mr. Michnik's petition was rejected.

"There is no progress in the court proceedings," he said after the court was adjourned for the day. The trial was to resume Tuesday with testimony from Mr. Walesa.

In a letter to the International Conference on Human Rights in Ottawa, Mr. Walesa said Monday that a law adopted by Poland's parliament, the Sejm, last month "has led to increased penal repression in Poland."

"The human rights situation depicted by the Polish representative cannot reflect a true situation in the country," he said.

■ **Jaruzelski Assails 'Martyrs'**  
Poland's leader, General Wojciech Jaruzelski, said in an interview published Monday that his

country does not want to have political prisoners, but is faced with what he called a small group of professional "martyrs" threatening the state. The Associated Press reported from Paris.

Human rights abuse "is the chief accusation brandished against us by the means of Western information and propaganda," General Jaruzelski told the French Communist Party newspaper L'Humanité.

"Political prisoners? We don't want to have them in Poland," the general said. "That is the sense of the wide amnesty that we have proclaimed. Nevertheless, there is here a small group of so-called 'martyrs' of the regime, professional martyrs, really. Their number is inversely proportional to the fuss orchestrated about them by Western propaganda."

## Doctor Tells Papal Plot Trial Agca Is 'Cunning,' 'Not Crazy'

Agence France-Press

ROME — Mehmet Ali Agca, who was convicted of attempting to kill Pope John Paul II, is not mentally disturbed, an expert said Monday as the trial of eight accused plotters in the shooting entered its second week.

Mr. Agca's assertion in court on May 27 that he was "Jesus Christ reincarnate" and that the "end of the world" was near had raised strong questions as to his mental condition — and as to whether and why he might help the defense by pretending to be mad.

In the East bloc, which views the trial as a Western bid to link it with terrorism, Mr. Agca's claim brought calls for charges to be

dropped against three Bulgarians. One of the three, Sergei I. Antonov, a former Bulgarian Airlines manager in Rome, is in custody. Five Turks, including Mr. Agca, also are charged.

But on Monday, Dr. Giancarlo Cupperio, the first doctor to examine Mr. Agca after his arrest following the shooting of the pope on May 13, 1981, called him a "cunning calculator." His comment was consistent with those of other experts.

"He is not crazy," Dr. Cupperio said of Mr. Agca. "On this point, doctors are categorical. All is perfectly healthy of mind. He is sure of himself, he controls himself well."

## Prison Gangs' Clout Grows on the 'Outside'

By Robert Lindsey

New York Times Service

SAN FRANCISCO — Prison inmates may be cut off from most contacts with the outside world, but law enforcement officials are blaming penitentiary gangs for violent crimes, many of them related to drug trafficking, committed in a growing number of U.S. cities.

In California, much of the gang-directed crime is said to stem from an especially virulent alliance. It includes the Black Guerrilla Family, many of whom are middle-aged and serving long terms, which was formed as a kind of prison auxiliary to the militant Black Panther Party. Another power in the alliance is a more structured gang of younger black inmates, most of whom were convicted of violent street crimes. They call themselves "Crips" because they have a reputation for clipping their victims.

According to participants at a recent meeting of law enforcement officials in Los Angeles, leaders of the Black Guerrilla Family are directing a growing effort to take over part of Southern California's lucrative cocaine trade by using the Crips as their soldiers.

The Crips, they say, are recruited in prison and after being paroled are attempting, often with violence, to push out other cocaine dealers from the predominantly black south-central area of Los Angeles.

William French Smith, a former U.S. attorney general, has called the influence of prison gangs beyond prison walls a problem that is "serious and spreading."

Investigators say the gangs now are involved in a wide range of criminal pursuits on the outside. "Drugs, loan sharking, extortion, contract killings — they're into everything," said Louis Dentici, assistant director of law enforcement for the California Department of Corrections.

According to officials, inmates began forming ethnic gangs in the late 1960s, starting in California. Initially, they operated only behind bars, battling for dominance of the prison turf. But investigators say that paroled gang members are increasingly joining together in organized criminal activities outside prison.

Philip Arnold, a specialist for the U.S. Bureau of Prisons says the gangs are now represented throughout the country.

At many prisons, officials say, gangs control homosexual prostitution and the manufacture of weapons. "Whatever illegal activity there is, they're in it," Mr. Arnold said. Often, officials say, gang members force inmates to make their girlfriends or wives smuggle drugs into prisons.

As prison gangs became more organized and learned how to keep

other inmates in line through force and intimidation, their guards, often worried about survival in the volatile atmosphere of overcrowded prisons, have increasingly conceded to them the power to rule the cell blocks. In some cases, according to the inmates of some institutions, they have conceded not only a franchise of self-government but certain concessions to deal in prison contraband.

In October 1983, two staff members were murdered at the federal penitentiary at Marion, Illinois, designed to be the most secure prison in the country, a place where the most troublesome federal prisoners are sent. Officials blamed the murders on senior members of the white Aryan Brotherhood. Since then, they have imposed a stringent "lock-down" that has blunted the

power of the gangs inside the prison.

Corrections specialists say that New York state has done an effective job of limiting the power of prison gangs. But elsewhere officials say prisons are so overcrowded that this is extremely difficult.

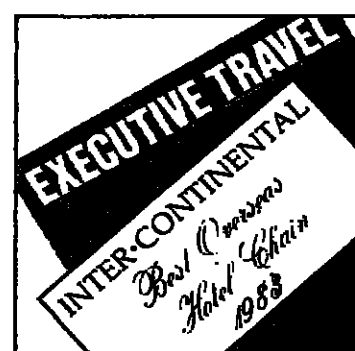
The first California gang, the Black Guerrilla Family, had an ideological doctrine that held all blacks were political prisoners. After well-organized blacks began to impose their will on other inmates, ethnic strife erupted and, officials say, three other groups were born, largely for self-protection.

The Mexican Mafia was formed by urban Mexican-Americans, many of whom were products of the Hispanic street gang culture of Los Angeles; Nuestra Familia was

organized by less sophisticated Mexican-Americans from rural areas; and the Aryan Brotherhood was formed by whites who, according to prison administrators, adhered to a vague doctrine of white supremacy that included for some members the wearing of swastika tattoos.

These gangs and a much smaller Hispanic group, the Texas Syndicate, now rule inmate life at many state and some federal prisons even though, officials estimate, fewer than 20 percent of prisoners are members.

Authorities say they first realized that the gangs posed a law enforcement problem outside prison during the late 1970s. In one case, ex-convicts who belonged to the Black Guerrilla Family were arrested for a series of what appeared to be related robberies.



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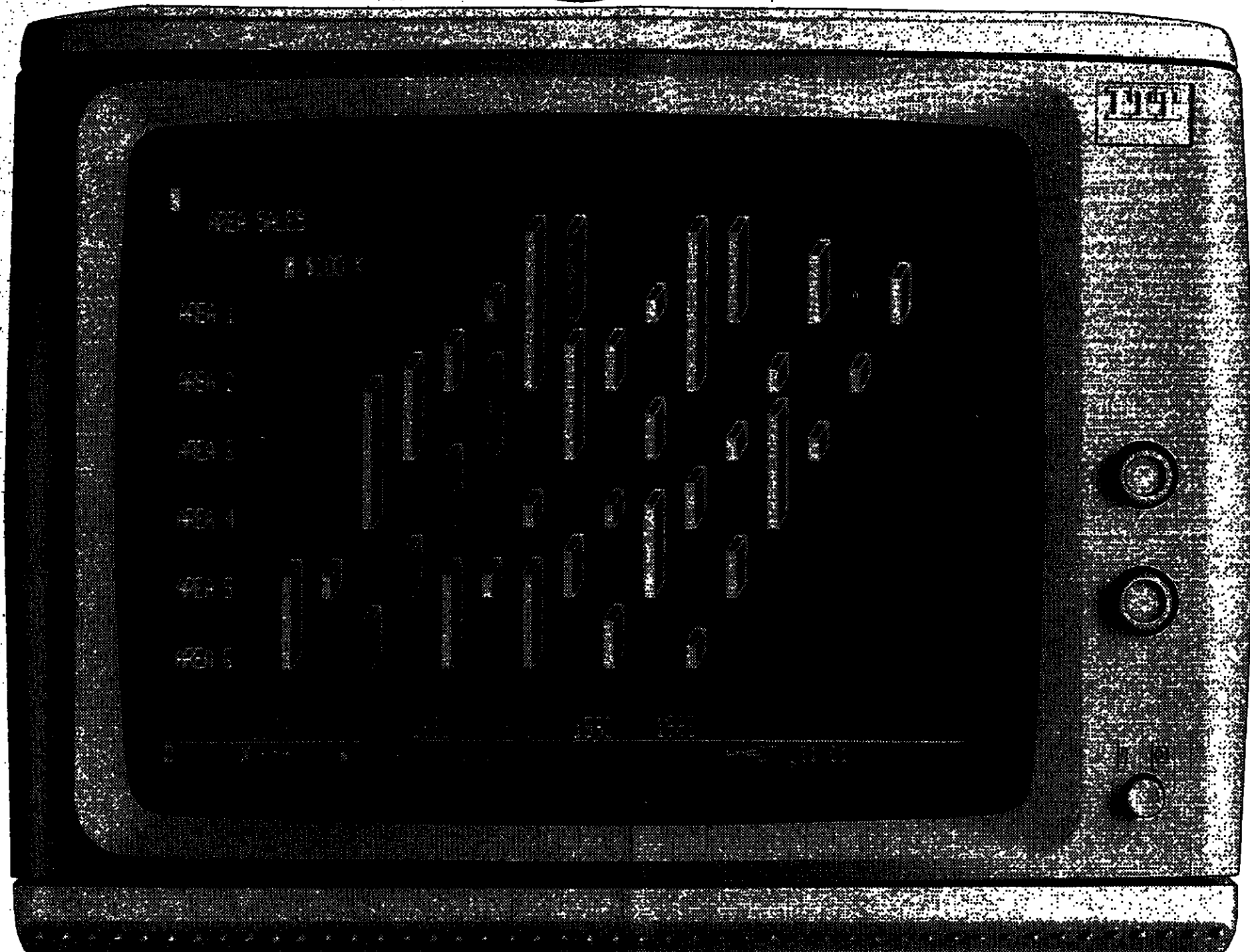
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# The Big Picture.



# The Bigger Picture.

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TUESDAY, JUNE 4, 1985

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Page 11

## FUTURES AND OPTIONS

### Bond Index Could Reduce The Odds Against Investors

By HJ.MAI DENBERG

NEW YORK — Investors in tax-exempt bonds have always been speculators. Not only have they always gambled that the interest and principal would not be eroded by inflation, but also that they would be able to get a fair price for their bonds if they had to sell them before maturity.

That the odds on both speculations have been heavily weighted in favor of the issuers over the years is without question. The inflation rate since 1980 alone has been 18 percent, which is about what most bond investors in the highest tax bracket can expect to earn today.

Because the tax-exempt bond market is basically an affair between the investor and the dealer instead of a continuous market auction process, as is the case of stocks, prices often depend more on bargaining than on intrinsic values.

But the odds traditionally faced by bond investors, as well as dealers, could improve dramatically after June 11, when the Chicago Board of Trade starts trading futures on an index of long-term municipal bonds.

They will be traded in a pit next to the Chicago board's Treasury bond futures market, which is by far the most actively traded of all futures. Indeed, the two markets are expected to trade off each other's prices, as both are influenced by interest rates and related money-market developments.

Like the Treasury bond futures, the tax-exempt index contracts will have a face value of \$100,000 and have the same delivery months — March, June, September and December — and the minimum price move will be 1/32-point.

But there are also vast differences between the two futures. Unlike the Treasury bond futures, for example, the tax-exempt index contract's price at any time would be \$1,000 times the index.

Also, the tax-exempt index futures will be settled in cash, not through the delivery of any underlying bond. The reason is that the new tax-exempt futures are not based on any bond, but rather on a price index of 40 top-grade municipal bonds. The index used will be that of The Bond Buyer, the industry's leading publication. The index is the most respected in the industry.

At expiration, the settlement price of the contract will be set by five major dealers: Cantor, Fitzgerald Municipal Brokers, Chapdelaine & Co., Clifford Drake & Co., J.F. Harfield & Co. and Titus & Donnelly Inc.

Moreover, the components of the 40-issue index may be revised periodically to adjust for changes in ratings and other factors so as to maintain the quality of the index.

"We expect the tax-exempt index futures to radically change the municipal bond market," said A. Theodore Palanucci, vice president and national manager of municipal debt trading and underwriting at Merrill Lynch Capital Markets. "That is why we are forming a new department just to handle the municipal index futures."

Douglas W. Hamilton, who heads Merrill Lynch's new department, said the new futures will become a major hedging tool for issuers, dealers and investors. Issuers, for instance, will be able to lock in interest rates on new issues by selling the futures short. Investors will be able to hedge their portfolios and dealers their inventories.

Will the new index futures narrow dealer buy-sell price spreads? "That depends on whether the dealers learn how to use them to hedge inventory," Mr. Palanucci said. "Selling bonds is a (Continued on Page 15, Col. 7)

### Building Spending Up in U.S.

1% Rise After 2 Flat Months

Compiled by Our Staff From Dispatches

WASHINGTON — New construction spending in the United States rose about 1 percent in April to an annual rate of \$325.7 billion, the Commerce Department reported Monday.

Spending had been essentially flat from February to March, at an annual rate of just above \$322 billion both months, after a 2-percent jump from January to February.

April spending ran about 6 percent higher than in April 1984, the report said. All the figures are seasonally adjusted.

The bulk of the April increase was attributed to private, nonresidential building. It was up 4 percent from March, to an annual rate of \$88.6 billion, compared with \$85.2 billion the previous month.

Private residential construction rose from \$134.7 billion in March to \$134 billion in April. Public construction rose from \$38.4 billion to \$38.7 billion.

But the bureau noted that most of April's increased spending was caused by higher prices. The total adjusted for inflation went up just 0.3 percent.

Office building construction, favored by some generous tax breaks that would be reduced under the latest tax reform proposal, saw another 2.5-percent increase in April.

Office building construction spending has gone up a spectacular 28.5 percent in the past year, growth that analysts find even more impressive in view of the fact many large cities already are overbuilt and cannot fill many of the new buildings with tenants.

Overall private construction spending was up 1.2 percent, including a 5.5-percent increase in private-hospital construction spending that had plummeted 18.3 percent in a year.

Construction paid for by taxpayers was up 0.5 percent. Sewer system construction, which had plunged 13 percent in the past year, did not change in April. (AP, UPI)

### London's Exchange Would Trade Its Traditions to Retain an Empire

By Barnaby J. Feder

New York Times Service

LONDON — Because of its relatively free regulatory environment, its record as Europe's most active stock market and its pre-eminence in European banking and finance, the City of London has a long lead in the race to dominate international securities trading in Europe.

Whether Britain's financial center retains that lead, however, could depend to a large extent on the results of a vote Tuesday and Wednesday on rules affecting the ownership of London's Stock Exchange and the firms that do business there.

The nearly 4,500 brokers and traders who own the exchange will be asked by their governing council to clear the way for shifting the ownership of the exchange from individuals to firms, and to allow outsiders to own member firms.

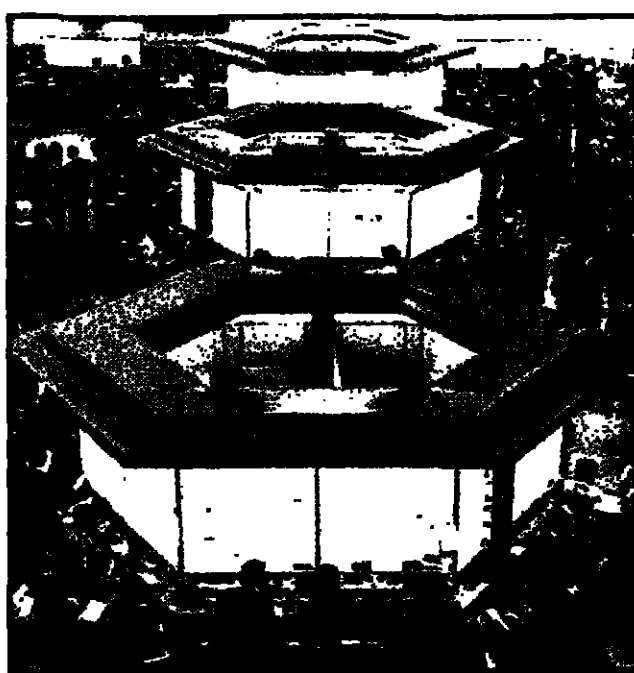
Leaders of the exchange see these changes as key steps in a revolution in securities dealing here that will have global impact. Without the proposed changes and others related to them, however, the security trading could move off the stock exchange and, eventually, away from the City — London's financial district.

According to John Young, director of policy and planning for the exchange, "The whole sense of it is to keep the bulk of securities trading in this country within the stock exchange, and to expand London's role in Europe and the rest of the world."

The centerpiece of the plan is the end of fixed commissions, which is expected in October 1986. In anticipation of that change, plans are being made to allow member firms to act both as brokers representing investors and as dealers in their own right, a dual function that has been forbidden since 1908 as a protection for investors.

At the same time, the Bank of England is setting up a network of primary dealers to handle the sale on the exchange of government bonds and notes, known as gilts.

The projected financial demands of the new structure, combined with increasing com-



The London Stock Exchange's busy trading floor. Whether it retains its dominance in securities trading in Europe may depend on votes this week on the way it does business.

have led to a wave of mergers, involving almost all of the large U.S. acquirers of exchange members include Citicorp, Chase Manhattan, Security Pacific and Shearson Lehman Brothers Inc. Other overseas investors range from Hong Kong & Shanghai Bank to Union Bank of Switzerland. Almost all of Britain's large commercial and merchant banks have found partners, in some cases two or three.

The changes at the two-century-old exchange involve not just London but trading in such provincial cities as Birmingham, Glasgow and Dublin. They come at a time when the internationalization of investment has allowed traders in New York and the Far East to capture a large part of the foreign-investment activity in well-known British multinationals, such as British Petroleum PLC and Imperial Chemical Industries.

It is estimated that up to a half of the daily dealing in the top

five British stocks occurs in New York, where investment banks such as Morgan Guaranty and Goldman Sachs, deal in instruments known as American Depositary Receipts, or ADRs, that represent shares in British companies not listed on U.S. exchanges.

Meanwhile, British pension funds and other investment institutions have been tempted to deal with U.S. brokers and others operating outside the London exchange when investing in the more than 500 overseas companies listed here.

According to a recent Bank of England telephone survey of fund managers, the dealing in listed British equities off the exchange is not yet advanced. But exchange leaders are warning members that major firms will leave the exchange unless the rule changes are adopted that will allow them to compete more effectively internationally.

"The commercial changes that are taking place in securities (Continued on Page 15, Col. 3)

### OPEC Ministers To Meet Early, Yamani Reports

Compiled by Our Staff From Dispatches

TAIF, Saudi Arabia — The next full ministerial meeting of the Organization of Petroleum Exporting Countries has been brought forward to June 30 from July 22, Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, said Monday.

The meeting is widely expected to consider further cuts in OPEC's production and in some of its official prices in view of sagging world demand.

But Sheikh Yamani, speaking after a meeting of OPEC's Ministerial Executive Council, said: "I think the possibility of improving the situation is much better now than before. Production should stay as it is."

Before the meeting, Oil Minister Mana Said al-Dubai of the United Arab Emirates was quoted as saying that OPEC was prepared to cut its self-imposed production ceiling of 16 million barrels a day if necessary to defend prices. Late last year, the ceiling was reduced to 16 million from 17.5 million.

"The problem is one of surplus in supply, and the cure requires sticking to the production quotas and prices decided by the last OPEC meeting," the minister told a UAE news agency.

Sheikh Yamani was quoted in a Saudi newspaper last week as saying that OPEC should reduce prices of heavy crudes but maintain those of lighter grades. Heavy crude prices were raised by 50 cents a barrel last December, but since then demand for such oil has diminished, partly because the end of Britain's 12-month coal strike in March allowed that country to reduce imports of fuel oil, large amounts of which are derived from heavy crude.

At the center of the meeting in this resort city were members of the executive council: Saudi Arabia, Nigeria, Venezuela, Indonesia and the United Arab Emirates. Four other OPEC members — Ecuador, Iraq, Iran and Kuwait — also were attending the talks, as was Mexico, a large oil exporter that does not belong to the group.

The oil ministers were seeking ways to prevent further steep declines in free-market oil prices, such as the one that occurred in April. They were expected to criticize both Ecuador and Nigeria for widely exceeding their production quotas.

A persisting glut of crude oil and the normal seasonal decline in demand have depressed prices on the spot, or noncontract, market, where Saudi light crude traded last week at around \$26.80 a barrel, compared with the official price of \$28.

Industry analysts in London expressed doubt that OPEC would resort immediately to general cuts in its official prices. But they said the group might need to do so if demand remains weak.

Both Britain and Norway, which are outside of OPEC and recently have begun adjusting their prices from month to month based on spot market trends, are reducing their prices this month, industry sources say. Richard Saville, an analyst at the London stockbrokerage of Phillips & Drew, called these price cuts "a reflection of what already happened" in the spot market this spring. (Reuters, AP, NYT)

### Dollar Declines In Europe Trade

The Associated Press

LONDON — The U.S. dollar fell Monday in foreign exchange trading in Europe in what analysts said was a response to slower economic growth in the United States. It finished above its lows for the day, however, after the U.S. government reported that construction spending had risen 1 percent in April.

In Tokyo, the dollar fell to 250.70 Japanese yen from 251.77 yen Friday. Later, in London, the dollar was quoted at 248.87 yen while the British pound rose to \$1.2945 from \$1.2740 late Friday.

Other dollar rates in Europe, compared with Friday close, 3.0392 Deutsche marks, down from 3.0893; 2.571 Swiss francs, down from 2.595; and 9.2725 French francs, down from 9.4210.

### Europe's Struggling Auto Industry Arrives at the Crossroad

By John Tagliabue

New York Times Service

BONN — Volkswagenwerk AG, the West German automobile giant, is negotiating to build all its Polo subcompact in Pamplona, Spain. To the south, near Saragossa, General Motors Corp. makes Opel Corsas; it concentrates motor production at Kaiserslautern, in Germany. Ford Motor Co. ships transmissions from Bordeaux, France, to plants throughout Europe and is discussing joint ventures with Fiat ranging from parts production to a possible merger.

This dealing across national lines illustrates the fundamental realignment that is shaking up the European auto industry. Increasingly, manufacturers are moving internationally to win economies of scale, low-cost production sites and access to protected markets.

The volume manufacturers that control nearly three-fourths of the European marketplace — Fiat, Volkswagen, Peugeot, Renault and the European units of Ford and General Motors — are feeling the heat to increase both profits and market share.

While up to six percentage points separated the first and last of the Big Six volume producers as recently as five years ago, today they all circle within one point or so of an 11-percent share of the 10-million-car market.

This bunching has led to savage price discounting and ballooning advertising budgets — both of which depress profit margins. Only three of the Big Six — Ford, Fiat

and Volkswagen — operated in the black in 1984.

Chronic overcapacity prevents any European auto company from making real money. Economists say that production must be cut by 20 percent, or an estimated 2.2 million units, to restore industry profitability. But government subsidies to ailing companies like Renault in France or Alfa Romeo in Italy are hurting the relatively healthy automakers, such as GM's Opel and Fiat, depriving them of market share and earnings.

Beyond their internecine battles, European automakers are nervously aware of a growing threat from Japan Inc.

Troubling reports are wafting across the Atlantic of major links between the giant automakers of Japan and the United States — most recently General Motors with Toyota and Chrysler with Mitsubishi. The Europeans are shaken to see their American competitors forging what are perceived as formidable alliances to challenge the Europeans at home and in third markets.

There is a sense that America and Japan are ganging up, pooling their technical expertise and formidable financial clout to deal Europe a deadly blow.

Increasingly, industry executives are wondering whether some once-proud national manufacturers, such as Volkswagen and Renault, retain the vigor to defend their market shares in a world automobile industry where the rules of the game grow tougher day by day.

After coal mining, textiles, steel

and shipbuilding, the European automobile industry stands in danger of going down the path of other industries that have shed their ability to compete. Wolfgang R. Habel, chairman of Volkswagen's profitable Audi subsidiary, warned recently.

In many ways America's two biggest automakers, GM and Ford, have been the major beneficiaries of recent realignments in Europe's car industry, capitalizing on their worldwide ties and the multi-billion-dollar investments of their parents in recent years. Ford has moved into the No. 1 spot among Europe's automakers, edging out Fiat in 1984 with 12.8 percent of the market, to Fiat's 12.7 percent.

Opel, too, has moved ahead. Traditionally the also-ran of the industry, Opel last year moved into fifth place with 11 percent of the market, up from 8.42 percent in 1980.

Despite overcapacity among the European automakers, some analysts feel that governments cannot permit a major player to disappear. Automobile production in a key economy like that of West Germany accounts for nearly 15 percent of jobs and roughly 10 percent of overall industrial revenues.

Thus, some economists say that realignment and shrinkage are more realistic solutions. They predict contraction, as European automakers concentrate production in fewer factories, either to gain greater economies of scale or, in the case of state-owned companies, to save jobs on the domestic market.

For example, some consultants think Ford might stop producing

its Sierra model in Belgium, where wages and benefits are high, to focus on its big factory in Cologne. Renault might pull out of Belgium or Spain to save jobs in France.

Some companies might yield the low end of the market to the Japanese and concentrate on the larger, more expensive cars that specialty producers such as Daimler-Benz and Volvo sell so well. Smaller cars with slim profit margins could be co-produced or farmed out to countries with low labor costs.

To be sure, most of the Big Six, excepting Renault and Peugeot, have recovered from the immense losses they suffered in the early 1980s when the oil shocks produced a deep European recession and the Japanese invasion shook the industry.

Renault has begun a major cost-cutting effort, including sharp increases in layoffs and Peugeot was expected to announce on Tuesday a substantial reduction in its consolidated 1984 loss.

Faced with slumping sales, some companies poured billions of dollars into modernizing factories and updating aging model lines. Fiat's sprawling new factory in Mirafiori, near Turin, or Volkswagen's highly automated plant in Wolfsburg, are at the industry's cutting edge.

And to a degree, this investment has paid off. Last year, as Europe's economies consolidated their modest recoveries, automobile sales increased about 1 percent. This year, as the economy continues to expand, sales in major markets like Germany are picking up again.

### Currency Rates

Cross Rates	June 3
Amsterdam	3.40
Bombay	12.12
Buenos Aires	1.25
Calcutta	1.25
London (b)	1.25
Madras	12.12
Mumbai	12.12
New York (c)	1.25
Paris	1.25
Tokyo	12.12
Zurich	1.25
1 SDR	1.25

Closing in London and Zurich, figures in other European centers. New York rates of 2 P.M. (a) Commercial bank (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (1 unit of 100 (a) Units of 1,000 (b) Units of 10,000 (c) Not quoted N.A.: not available. (d) To buy one pound, \$1.25

Other Dollar Values	June 3
Australian dollar	1.25
Belgian franc	1.25
Canadian dollar	1.25
French franc	1.25
German mark	1.25
Italian lira	1.25
Japanese yen	1.25
Swiss franc	1.25
U.S. dollar	1.25

Sources: Bank of America (New York); Bank of Montreal (Montreal); Bank of Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAI (London, Zurich, Frankfurt). Other data from Reuters and AP.

### Interest Rates

Europecurrency Deposits	June 3
1 month	7 1/2%
3 months	7 1/2%
6 months	7 1/2%
1 year	7 1/2%

Sources: Reuters, Commercial Bank, Citicorp, Deutsche Bank, First National City Bank, J.P. Morgan & Co., London, New York, Paris, Tokyo, Zurich. Rates available to interbank deposits of \$1 million minimum (for equivalent).

Key Money Rates	June 3
United States	7 1/2%
Discount Rate	7 1/2%
Federal Funds	7 1/2%
Prime Rate	10 1/2%
Banker's Loan Rate	10 1/2%
Cash Money	7 1/2%
3-month Treasury Bill	7 1/2%
6-month Treasury Bill	7 1/2%
CD's 28-37 days	7 1/2%
CD's 90-117 days	7 1/2%

West Germany	June 3
Overnight Rate	6 1/2%
1-month interest	6 1/2%
3-month interest	6 1/2%
6-month interest	6 1/2%
1-year interest	6 1/2%

France	June 3
Overnight Rate	10 1/2%
1-month interest	10 1/2%
3-month interest	10 1/2%
6-month interest	10 1/2%
1-year interest	10 1/2%

Britain	June 3
Overnight Rate	10 1/2%
1-month interest	10 1/2%
3-month interest	10 1/2%
6-month interest	10 1/2%
1-year interest	10 1/2%

Japan	June 3
Overnight Rate	5 1/2%
1-month interest	5 1/2%
3-month interest	5 1/2%
6-month interest	5 1/2%
1-year interest	5 1/2%

Sources: Reuters, Commercial Bank, Citicorp, Deutsche Bank, First National City Bank, J.P. Morgan & Co., London, New York, Paris, Tokyo, Zurich. Rates available to interbank deposits of \$1 million minimum (for equivalent).

### South Korea's Booming Steel Industry

By John Burgess

Washington Post Service

SEOUL — The industrial age is coming in a hurry to the fishing village of Kwangyang on the southwestern coast of the Korean peninsula. Graves have been moved, land reclaimed and foundations are being dug for a giant steel plant that eventually could expand South Korea's production capacity by almost 40 percent.

It will be the second integrated plant of Pohang Iron & Steel Co., known here as Posco, the state-controlled enterprise that in a little more than a decade has turned South Korea into the world's 15th-largest producer of steel.

Posco has undertaken expansion despite five-year quotas imposed on its exports to the United States and a 10-percent downturn expected this year in South Korean steel exports as a whole.

Officials in Seoul say that a steadily growing market at home will absorb most of the new plant's output.

Nonetheless, the new plant, ex-

pected to begin operation in 1987, has been condemned abroad as an unwelcome addition to an industry that already is plagued by overcapacity worldwide.

The Koreans have an answer for that. The problem "is not an over-supply of efficient steel capacity," said Kye Mook Jun, director general of the Ministry of Trade and Industry bureau concerned with the South Korean plants.

According to Iron Age magazine, Posco was the world's most efficient producer of steel on a per-sonnel basis in 1983, turning out 582 tons per employee, 25 percent more than the No. 2 company, Kobe Steel of Japan.

In the 1960s, South Korea's steel industry was a collection of backyard-style operations melting down scrap left from Japanese colonial times and the Korean War or bought from foreign countries.

But late in the decade, government leaders decided that modern steel production was indispensable to their plans for the economy. Turning aside objections that other developing countries had made this

decision and failed, they decided to use Japanese war reparations and low-interest loans to build the country's first integrated facility, or one that could turn iron ore into finished steel under one roof.

In 1973, officials christened the first phase of the plant, situated on Pohang Bay on the peninsula's southeast coast and furnished with state-of-the-art Japanese equipment.

The Pohang plant's capacity began at a modest 1 million tons a year. By 1983, in three major phases, it had expanded to 9.1 million tons.

By 1984, South Korea was exporting \$2 billion worth of steel a year, which is 5.6 million tons, or about 40 percent of its total production. The United States and Japan were its most important foreign customers.

This success provoked resistance in the United States, where aging plants and high wages had helped put the steel industry into serious trouble.

## The Royal Oak

Antoine's Piguet



NYSE Most Actives				
Vol.	High	Low	Last	Chg.
IBM	160.00	159.00	159.00	+1.00
AT&T	48.00	47.00	47.00	+1.00
GE	28.00	27.00	27.00	+1.00
AMC	12.00	11.00	11.00	+1.00
AMR	10.00	9.00	9.00	+1.00
ANA	8.00	7.00	7.00	+1.00
AMT	6.00	5.00	5.00	+1.00
AMN	4.00	3.00	3.00	+1.00
AMH	3.00	2.00	2.00	+1.00
AMJ	2.00	1.00	1.00	+1.00

Dow Jones Bond Averages				
Bonds	Prev.	Close	Today	Chg.
Govt	100.00	100.00	100.00	0.00
Corp	100.00	100.00	100.00	0.00
Muni	100.00	100.00	100.00	0.00
Intl	100.00	100.00	100.00	0.00

Dow Jones Averages				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

NYSE Diaries				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

NYSE Index				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

Odd-Lot Trading in N.Y.				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

Monday's NYSE Closing				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

Tables indicate the afternoon prices up to the closing on Wall Street and do not reflect late trades elsewhere.				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

AMEX Diaries				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

Standard & Poor's Index				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

NASDAQ Index				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

AMEX Sales				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
IBM	160.00	159.00	159.00	+1.00
AT&T	48.00	47.00	47.00	+1.00
GE	28.00	27.00	27.00	+1.00
AMC	12.00	11.00	11.00	+1.00
AMR	10.00	9.00	9.00	+1.00

AMEX Stock Index				
Index	High	Low	Last	Chg.
Indus	1,310.00	1,300.00	1,300.00	+10.00
Transp	1,310.00	1,300.00	1,300.00	+10.00
Comm	1,310.00	1,300.00	1,300.00	+10.00
Fin	1,310.00	1,300.00	1,300.00	+10.00
Comp	1,310.00	1,300.00	1,300.00	+10.00

## Volume Turns Higher on NYSE

United Press International  
NEW YORK — The stock market was mixed late Monday in active trading. The Dow Jones industrial average was down 4.48 to 1,310.93 shortly before 3 p.m. EDT.  
Advances led declines by a 9-7 ratio among the 1,989 issues crossing the NYSE tape. Five-hour Big Board volume amounted to

Although prices in tables on these pages are from the 4 p.m. close in New York, for time reasons, this article is based on the market at 3 p.m.

about 112,119,500 shares, compared with 107,060,000 in the same period Friday.  
Prices were mixed in active trading of American Stock Exchange issues.  
Analysts said the market was stronger than the Dow industrial average seemed to show.  
"The action is better than it looks," said Michael Metz of Oppenheimer & Co. Although some blue-chip stocks were subject to profit-taking, throughout the day more stocks traded higher than lower, he noted.  
Mr. Metz said the market was continuing to respond to expectations that interest rates are going even lower than they are now. Also, declining oil prices are assuaging inflation anxieties, he said. Such an environment gives the Federal Reserve more leeway to ease credit without having to worry about aggravating inflation, he noted.  
Atlantic Richfield, near the top of the active list, declined. Under pressure for a decrease in oil prices, so were several other petroleum

## Bond Prices Up Sharply

The Associated Press  
NEW YORK — Bond prices rose sharply — by nearly \$20 for every \$1,000 in face value — Monday amid speculation that oil prices and interest rates are headed lower.

The market had advanced sharply on Friday as some traders anticipated a reduction in the Federal Reserve's discount rate, its interest charge on loans to banks and other financial institutions.

The Fed had cut its discount rate May 17 to 7.5 percent from 8 percent in an effort to stimulate the economy. Several economic reports since then have indicated that the pace of economic growth has remained slow.

The bond price rally continued more forcefully Monday as reports circulated that some oil industry analysts expected weak demand would lead to declines in oil prices.

stocks. Exxon, Mobil and Phillips Petroleum were lower. Texaco was up fractionally.

Nabisco, trading ex-dividend, was lower in active trading. R.J. Reynolds had agreed to acquire Nabisco for \$5 billion. R.J. Reynolds was higher.

Phibro-Salomon was slightly lower. Salomon Brothers said it had acquired 5.1 percent of Multimedia Inc.'s 16.7 million shares outstanding.

Diamond Shamrock was lower in active trading.

12 Month High Low Stock Div. Yld. PE 100-High Low Quot. Chg.				
IBM	160.00	159.00	159.00	+1.00
AT&T	48.00	47.00	47.00	+1.00
GE	28.00	27.00	27.00	+1.00
AMC	12.00	11.00	11.00	+1.00
AMR	10.00	9.00	9.00	+1.00
ANA	8.00	7.00	7.00	+1.00
AMT	6.00	5.00	5.00	+1.00
AMN	4.00	3.00	3.00	+1.00
AMH	3.00	2.00	2.00	+1.00
AMJ	2.00	1.00	1.00	+1.00

12 Month High Low Stock Div. Yld. PE 100-High Low Quot. Chg.				
IBM	160.00	159.00	159.00	+1.00
AT&T	48.00	47.00	47.00	+1.00
GE	28.00	27.00	27.00	+1.00
AMC	12.00	11.00	11.00	+1.00
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**In 1983 two large-cabin business jets were announced.  
Only one will be flying at the 1985 Paris Air Show.**



*See how the Falcon 900 has met—and exceeded—the requirements of pilots and executives alike, while its closest competitor remains a list of paper promises.*

	FALCON 900	GULFSTREAM IV
Program Announcement	✓ May 27, 1983	✓ March 1983
Rollout	✓ May 18, 1984	To Be Announced
First Flight	✓ Sept. 21, 1984	December 1985
Complete Interior Installed	✓ Nov. 13, 1984	To Be Announced
Flight Envelope Expansion Completed	✓ Nov. 28, 1984	To Be Announced
Guaranteed IFR Range Verified	✓ Dec. 5, 1984	Only a "theoretical range" is guaranteed
Engine Certification	✓ Dec. 12, 1984	June 1986
First Customer Demonstrations	✓ Jan. 29, 1985	To Be Announced
FAA Certification	March 1986	October 1986
First Customer Deliveries	Late 1986 (certified, with interior)	Mid 1986 (uncertified, "green")

Data as of  
May 27, 1985.

*"In late January, just eight months after the wide-body, three-engine business jet rolled out... and only four months after the aircraft's first flight, the production prototype underwent five days of extensive evaluation by three aviation publications and 25 customers of the new aircraft..."*

*"The apparent ease with which the Falcon 900 is living up to Dassault's predictions of schedule, weight, and performance is a tribute... destined to please even the most conservative executive."*

Business and Commercial Aviation,  
May 1985

*"Dassault's willingness to put its newest and most expensive business jet into the hands and under the scrutiny of press and customer pilots at such an early stage certainly makes a more emphatic statement than mere words of its confidence in the airplane's integrity and performance..."*

*"...the Falcon 900 is an exceptionally well designed airplane... with a great amount of mission flexibility... a viable alternative in the choice of a big cabin, truly long-range business jet—something they never had before."*

Aviation Convention News,  
March 1, 1985

For long range, fuel efficiency and functional comfort, no business jet can match the Falcon 900. And the 900 is flying today (in fact, has flown some 300 hours!), while its closest competitor has yet to be rolled out.

In conception, the 900 promised everything pilots and CEOs said they wanted in a business jet: worldwide range, widebody comfort, three-engine safety and low operating costs. In flight, the 900 has already exceeded these promises—months ahead of schedule.

While several mockups will be on display at the Paris Air Show, Falcon Jet will be flying the 900. While our competitor talks, Falcon Jet will be demonstrating. And for those who have not yet seen the 900 in action, 1985 should prove a noteworthy year indeed.

## **Falcon 900**

**For more information...**

Contact us at Chaler B-24 during the Paris Air Show, or at the appropriate address below.

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## BUSINESS ROUNDUP

## Unocal to Cut Spending But Will Not Sell Assets

By Nancy Rivera  
Los Angeles Times Service  
LOS ANGELES — Unocal Corp. has no plans to sell assets to pay off the \$4.15 billion in new debt that was the price of funding off the takeover bid of T. Boone Pickens, but capital spending will be scaled back, according to Unocal's chairman, Fred L. Hartley.

Unocal, which has been Mr. Hartley's employer for 46 of his 68 years, will "keep right on going" now that the Mesa Partners II investor group led by Mr. Pickens has agreed to end its three-month attempt to take over the company, Mr. Hartley said in an interview last week.

Unocal parent of Union Oil of California, is still evaluating how much it will need to reduce capital spending because of increased debt expenses, Mr. Hartley estimated that the 1985 investment program, originally set at \$2.1 billion, will be trimmed by an estimated \$200 million to \$300 million.

His anger at the attempted takeover was unabated. "It may be that

## Orders at 8-Year High For Firms in Britain

Reuters  
LONDON — British firms have more orders on their books than at any time in the past eight years, according to a survey published Monday.

The Confederation of British Industry's survey of 1,596 companies found the highest level of orders in the electrical, instrument, and engineering industries.

this is a new day" and if "the laws of the land are not enforced to the degree required to stop this kind of behavior, then maybe maintaining high debt becomes a way of life," Mr. Hartley said.

"It would seem that we have a real failure in our capitalistic system and a real failure of our morals and manners and ethics and integrity in our society if one has to maintain a hell of a high debt in order to protect oneself from the financial barons," he said.

Last month, Unocal settled with the Mesa group by agreeing to include 7.7 million shares of its Unocal shares in an expensive stock buy-back plan that will raise corporate debt by \$4.15 billion.

Mr. Hartley said Unocal will be able to pay the interest on its debt out of company cash flow, adding that the fewer number of shares outstanding will reduce the company's quarterly dividend pay-out by about \$70 million after taxes.

In a few years, presuming that the company's stock price rises, Unocal may sell new common stock to repay some of its debt, he said. "It won't be this year for damn sure," he said. Unocal's stock price plummeted from \$46 the day of the settlement to \$33.25 on Friday.

Mr. Hartley — who characterized Unocal's battle with Pickens as "mad dog bites man; man bites back; man, with superior intellect, defeats mad dog" — is not tempted to forgive and forget.

He said, "we're going to see further deterioration in the ability of the United States to survive as a viable competitive society."

## Semiconductor Plans Layoffs

The Associated Press

SANTA CLARA, California — National Semiconductor Corp., citing a year-old slump in the semiconductor industry, said Monday that it will lay off 1,300 workers in the United States and Europe and is canceling plans for a new plant in Portland, Oregon.

The layoffs will involve 600 workers at the company's headquarters in Santa Clara, as well as workers at facilities in Salt Lake City, Utah; Danbury, Connecticut; Maynard, Massachusetts; and in Europe, the company said.

National Semiconductor, which employs about 37,000 people worldwide, said the layoffs at the domestic plants will occur over the next few weeks.

## SME Sale Is Not Selling Well in Italy

Reuters

ROME — A political row has broken out in Italy over an attempt by the state-owned giant Istituto Ricostruzione Industriale, or IRI, to sell its profitable food subsidiaries to private interests.

After agreeing in April to sell those subsidiaries to Carlo de Benedetti, the chairman of Olivetti SpA, IRI still is waiting for the minister of state industry, Clelio Darida, to approve the transaction.

Meanwhile, three higher bids have been received for the subsidiaries, which are grouped mostly under Società Meridionale Finanziaria SpA, or SME.

The Christian Democrats, the largest party of the center-right coalition, are openly dissatisfied over Mr. Darida's handling of the affair, and political sources said he might be asked to resign.

The Socialist prime minister,

Bettino Craxi, does not oppose the principle of private ownership but has resisted the sale to Mr. de Benedetti on the grounds of inadequate consultation.

With the outcome still far from clear, businessmen and bankers say the affair has damaged the credibility of IRI and sown the seeds of further discord within the five-party governing coalition.

An influential newspaper, Corriere della Sera, commented that it "places in jeopardy the entire policy of privatization."

Cesare Romiti, the managing director of Fiat SpA, was quoted by the newspaper as saying: "No private group will be able to negotiate with IRI in safety after this."

In a further complication, a Rome public prosecutor, Luciano Infelisi, has confiscated IRI files relating to negotiations with Mr. de Benedetti to investigate a possible

conflict between public and private interests.

The chairman of IRI, Romano Prodi, originally agreed to sell to Mr. de Benedetti's Industrie Riunite a controlling interest in SME and another IRI food subsidiary, Società Italiana Dolcifici Alimentare Milano SpA, or SIDALM, for 397 billion lire (\$201 million).

Under the terms of the sale, the state-controlled merchant bank Mediobanca and medium-term finance house Istituto Mobiliare Italiano would pay IRI a further 100 billion lire for minority equity stakes.

SME became an attractive proposition only recently when, after years of heavy losses, it announced 1984 net profits exceeding \$50 million on turnover of \$157 billion.

## One-Third of U.S. Thrifts Will Disappear, Analysts Predict

By Nathaniel Nash

New York Times Service

WASHINGTON — Government statistics show that the number of U.S. savings and loan associations that are effectively bankrupt — with liabilities exceeding assets — still open — has increased fivefold since 1981, to more than 400.

Industry leaders and government regulators expect most of them will be forced to close or merge. Moreover, another 400 thrifts whose assets barely exceed liabilities will also have a hard time surviving. In all, perhaps one-third of the 3,150 federally insured savings and loan associations now open are likely to disappear by the

end of the decade, the experts estimate.

The thrift units that are effectively bankrupt but still doing business have been allowed to stay open by federal authorities to avert an abrupt shutdown that could deplete the federal insurance fund and might also, by disrupting public confidence, trigger runs by depositors on smaller institutions.

"Losses at these thrifts since 1981 have so eroded their assets that a third of the industry will just not survive," said Richard Truitt, chairman of Merrill Lynch Mortgage Capital Inc. and head of the Federal Home Loan Bank Board from 1981 to 1982. The board is the

federal agency that regulates and oversees the thrift industry.

He added that the survival of another third of the institutions was dependent "on the luck of the draw on interest rates," while the remaining one-third had "very good prospects."

The plethora of troubled thrifts is reflective of an industry that is now highly fragmented, in the process of dramatic change and struggling to survive. Analysts anticipate widespread consolidation ahead, as the industry — once composed of many small institutions making residential mortgage loans — evolves into one dominated by multi-billion-dollar financial giants

resembling big commercial banks.

The one ray of hope in recent weeks has been the substantial drop in interest rates. Some analysts predict that as a result of lower rates, 1985 will be the thrift industry's most profitable year on record with possibly 90 percent of the nations' thrifts earning money.

But lower rates will provide little help to the worst cases. "Any S&L with a negative net worth that is losing money today will probably not survive," said one analyst.

## Bond Index Set in Chicago

(Continued from Page 11)

labor-intensive business. Because there will always be a sales force to be compensated and supported by the house, there is a cap on how narrow dealer spreads can become.

Further, he and Mr. Hamilton noted that, in the past five years or so, individual investors had accounted for about 80 percent of the tax-exempt bond market. "Aside from the funds, institutions have been largely absent from the municipal bond market," Mr. Palalucci said. "It is always more expensive for a dealer to handle individual accounts."

Having said this, however, he added that he expected the new tax-exempt index futures to eventually narrow spreads because they "will definitely increase the liquid-

ity of the municipal market." Why? "Simply because the major dealers will be able to use the futures to lay off some of the risk in carrying large selections of bonds on their shelves. Anything that reduces risk will eventually narrow spreads."

Given the recent sharp rise in prices of tax-exempt bonds, which is the direct result of falling interest rates, who would be taking the short side of the index futures? After all, one of the fundamental rules of futures trading is never to buck today's market trend, no matter what the trader thinks will happen tomorrow.

Mr. Palalucci agreed. "But there is another phenomenon that also obtains," he said. "Trends always become exaggerated; if current prices become too rich, it will undoubtedly provoke a swing to the short side."



Tokyo Pacific Holdings N.V.

Tokyo Pacific Holdings (Seaboard) N.V.

The Quarterly Report as of 31st March 1985 has been published and may be obtained from:

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(d) - daily; (w) - weekly; (b) - bi-monthly; (q) - quarterly; (y) - annually.

ALMA MANAGEMENT

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## COMPANY NOTES

Airbus Industrie, the European

aircraft consortium, announced it

has received firm orders valued at

\$200 million for three A-300-600

wide-bodied commercial jets from

Korean Airlines. Korean Airlines

also took options on five more A-

300s.

American Telephone & Tele-

graph Co., Bank of America,

Chemical Bank and Time Inc. said

they plan to form a joint venture to

provide electronic financial ser-

vices to consumers and small busi-

nesses.

British Petroleum Co. PLC is

still interested in exploring for oil

off China's coast, although results

so far have been disappointing, Pe-

ter Walters, the company chair-

man, said.

Eastman Kodak Co. said it intro-

duced its first stand-alone 8-mm

video cassette recorder, the

MVS-5380.

Hongkong Land International

Ltd., a fully owned subsidiary of

Hongkong Land Co., said it is re-

deeming on Aug. 1 all its outstand-

ing \$75 million, 7-3/4 percent guar-

anteed debentures due in 1986 for

about \$22.9 million. It said the re-

deemption is part of an overall debt

refinancing program.

Hongkong & Kowloon Wharf and

Godown Co. Ltd.'s offer of 11 Hong

Kong dollars (\$1.41) a share has

been accepted by shareholders con-

trolling 14.31 percent of the equity

of Allied Investors Corp.

International Business Machines

Corp. said it introduced a new

modular processor with expand-

able storage capacity, the IBM

4702, to help meet the increasing

automation requirements of banks

and other financial institutions

with remote locations.

Lloyds Bank PLC said it has a

mandate from Atlantic Southeast

Airlines of Atlanta to arrange \$30

million in financing for the pur-

chase of six Brazilian aircraft from

Embraer, the Brazilian aircraft

manufacturer.

Magellan Petroleum Corp. said

its board authorized a rights offer-

ing of about 4.9 million common

shares. It said shareholders would

be able to buy one share at \$1 for

each three shares held under terms

now contemplated, which are sub-

ject to change.

News Corp. Ltd. announced

plans to double its authorized cap-



# Mondays **AMEX** Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month High Low Stock DN YH PE 100 High Low Quot. CYS

12 Month	High	Low	Stock	DN	YH	PE	100	High	Low	Quot.	CYS
74	127	127	ADN					127	127	127	127
75	127	127	ADN					127	127	127	127
76	127	127	ADN					127	127	127	127
77	127	127	ADN					127	127	127	127
78	127	127	ADN					127	127	127	127
79	127	127	ADN					127	127	127	127
80	127	127	ADN					127	127	127	127
81	127	127	ADN					127	127	127	127
82	127	127	ADN					127	127	127	127
83	127	127	ADN					127	127	127	127
84	127	127	ADN					127	127	127	127
85	127	127	ADN					127	127	127	127
86	127	127	ADN					127	127	127	127
87	127	127	ADN					127	127	127	127
88	127	127	ADN					127	127	127	127
89	127	127	ADN					127	127	127	127
90	127	127	ADN					127	127	127	127
91	127	127	ADN					127	127	127	127
92	127	127	ADN					127	127	127	127
93	127	127	ADN					127	127	127	127
94	127	127	ADN					127	127	127	127
95	127	127	ADN					127	127	127	127
96	127	127	ADN					127	127	127	127
97	127	127	ADN					127	127	127	127
98	127	127	ADN					127	127	127	127
99	127	127	ADN					127	127	127	127
100	127	127	ADN					127	127	127	127

12 Month	High	Low	Stock	DN	YH	PE	100	High	Low	Quot.	CYS
101	127	127	ADN					127	127	127	127
102	127	127	ADN					127	127	127	127
103	127	127	ADN					127	127	127	127
104	127	127	ADN					127	127	127	127
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111	127	127	ADN					127	127	127	127
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146	127	127	ADN					127	127	127	127
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148	127	127	ADN					127	127	127	127
149	127	127	ADN					127	127	127	127
150	127	127	ADN					127	127	127	127

12 Month	High	Low	Stock	DN	YH	PE	100	High	Low	Quot.	CYS
151	127	127	ADN					127	127	127	127
152	127	127	ADN					127	127	127	127
153	127	127	ADN					127	127	127	127
154	127	127	ADN					127	127	127	127
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189	127	127	ADN					127	127	127	127
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193	127	127	ADN					127	127	127	127
194	127	127	ADN					127	127	127	127
195	127	127	ADN					127	127	127	127
196	127	127	ADN					127	127	127	127
197	127	127	ADN					127	127	127	127
198	127	127	ADN					127	127	127	127
199	127	127	ADN					127	127	127	127
200	127	127	ADN					127	127	127	127



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## June 3

**NASDAQ National Market Prices**...











